(29,200)

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1922.

No. 650.

CUMBERLAND TELEPHONE & TELEGRAPH COMPANY, APPELLANT,

vs.

LOUISIANA PUBLIC SERVICE COMMISSION, JOHN M. PARKER, GOVERNOR OF THE STATE OF LOUISIANA; A. V. COCO, ATTORNEY GENERAL OF THE STATE OF LOUISIANA, *ET AL.*

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE EASTERN DISTRICT OF LOUISIANA.

VOLUME II.

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440 *Affidavit of A. H. Roberts.*

Filed Jun. 23, 1922.

In the District Court of the United States for the Eastern District of Louisiana, Baton Rouge Division.

In Equity.

No. 95.

CUMBERLAND TELEPHONE & TELEGRAPH COMPANY, Plaintiff,

vs.

LOUISIANA PUBLIC SERVICE COMMISSION et als., Defendants.

VOLUME II.

In the above entitled cause comes A. H. Roberts and makes the following statement on oath, to-wit:

That he is a resident of Nashville, Tennessee, is a lawyer by profession and attorney for Railroad and Public Utilities Commission of Tennessee; that plaintiff, Cumberland Telephone and Telegraph Company operates a telephone system throughout the greater portion of said State; that said commission has jurisdiction of the said telephone company in said state; that in April, 1921 the plaintiff sought an increase estimated at 24% in the exchange rates throughout said State a schedule of increased rates being filed by it with said commission on May 31, 1921, which was suspended by said Commission and a hearing was set for July 18, 1921. On said hearing in support of its said application to increase its said exchange rates the plaintiff offered much oral testimony and documentary evidence the hearing of which consumed about four days. On said hearing, its Vice-President, J. M. B. Hosmer, testified as a witness, as did also J. G. McTiernan and Allen S. Trunden. By the testimony of said Trunden particularly the plaintiff on said hearing undertook to make a separation of the company's accounts between exchange service and toll—service to make an allocation of the value of its properties in Tennessee on the basis of interstate use and intrastate use, toll use and exchange use, but the Tennessee Commission did not conclude said hearing at that time, preferring to await the more definite establishment by satisfactory proof of the value of plaintiff's property in Tennessee used and useful exclusively in intrastate service. Thereupon, plaintiff filed a bill in

the United States District Court at Nashville in August, 1921, seeking to restrain said Commission from interfering with it in putting into force its increased exchange rates. Its application for injunction was heard before the Honorable Edward T. Sanford Judge of said Court, and was denied in an opinion handed down on September 23, 1921, copy of which is filed as Exhibit "A" hereto and as part hereof.

441 Thereafter certain steps were taken before said Commission, as a result of which the plaintiff filed an amended and supplemental bill in said Court, about May 2, 1922, again seeking to enjoin said Tennessee Commission from interfering with it in charging said increased exchange rates. On the hearing before three Judges of said case on June 10, 1922, on plaintiff's application for an injunction, it offered a large number of affidavits, printed copies of which, bound in one volume, comprise three hundred and eighty four pages. Beginning on page 64 and ending on page 96 of said printed volume appear the affidavits of A. B. Trunden and exhibit "A" thereto, comprising a number of tables, and beginning on page 97 thereof and ending on page 176 of said printed volume appears the affidavit of J. J. McTiernan with exhibits, tables, etc. The certificate of the Clerk of said United States District Court to said two affidavits and exhibits is appended thereto. Said affidavits of A. B. Trunden and J. J. McTiernan, with exhibits thereto, are made Exhibit "B" to this affidavit and part hereof. The plaintiff is proceeding before the Tennessee Commission in its said rate case wherein it is seeking an increase in its exchange rates and also in said suit in the United States District Court at Nashville against said Tennessee Commission upon the theory that it can separate and has separated its property in Tennessee and its revenues and expenses therein on an equitable basis between intrastate and interstate service. It is its contention that it is not making a fair return upon the value of its property in Tennessee apportioned exclusively to intrastate use, when its revenues and expenses in the state are properly segregated and its net returns from intrastate revenues are considered.

It was shown on said hearing before said Tennessee Commission that stock of the plaintiff corporation to the amount of $8,600,000.00 was converted into bonds to the amount of $13,760,000.00 bearing 5% interest per annum. This was done in about the year 1912.

A certified copy of the testimony given by A. B. Trunden and J. J. McTiernan before said Tennessee Commission in the hearing of said rate case before it in July last is filed herewith as Exhibit "C" hereto.

442 STATE OF LOUISIANA,
Parish of Orleans:

Before me, the undersigned authority, personally came and appeared A. H. Roberts, who having been by me first duly sworn, deposed and said.

That he has prepared the foregoing statement and that all of the facts herein *and* true and correct.

(Signed) A. H. ROBERTS.

Subscribed and sworn to before me on this 23 day of June, 1922.

(Signed) F. W. GAUDIN,

[SEAL.] *Notary Public.*

443 *Excerpt from Exhibit "B" to Affidavit of A. H. Roberts, Being Pages 64 to 176, Inclusive.*

Filed June 23, 1922.

In the District Court of the United States for the Middle District of Tennessee, Nashville Division.

In Equity.

CUMBERLAND TELEPHONE & TELEGRAPH COMPANY, Plaintiff,

vs.

RAILROAD AND PUBLIC UTILITIES COMMISSION OF THE STATE OF TENNESSEE et al., Defendants.

Plaintiff's Affidavits and Evidence on Motion for Interlocutory Injunction.

Alex. P. Humphrey, Keeble & Seay, Thomas N. Greer, Solicitors for Plaintiff.

Hunt Chipley, E. D. Smith, of Counsel.

444 In the District Court of United States for the Middle District of Tennessee, Nashville Division.

In Equity.

CUMBERLAND TELEPHONE & TELEGRAPH COMPANY, Plaintiff,

vs.

RAILROAD AND PUBLIC UTILITIES COMMISSION OF THE STATE OF TENNESSEE et al., Defendants.

STATE OF NEW YORK,
County of New York, ss:

Affidavit of A. B. Crunden.

A. B. Crunden, being duly sworn, on oath deposes and says:

That he resides in Brooklyn, New York, and is General Supervisor of Accounting Methods of the American Telephone and Telegraph Company, and that he has had more than twenty years' ex-

perience as an accountant, and has been continuously employed by Bell System Telephone Companies in accounting and statistical work since 1910; that he has had long experience in preparing accounting reports of large telephone companies for submission to state regulatory commissions showing the results of telephone operating separately for exchange business and for toll business, and that he is thoroughly familiar with the best accepted practice of preparing such reports;

That the accounts of the plaintiff, Cumberland Telephone and Telegraph Company, are and have been since January 1, 1913, kept in accordance with accounting regulations prescribed by the Interstate Commerce Commission.

That the correct separation of the Company's accounts between exchange service and toll service is, as to the principal part
445 of the accounts, already indicated by the books and records; that as to the remainder of the accounts representing a minor portion of whole, the methods of separation used are correct and intrinsically reasonable methods which have become well settled as the result of many years of study and development work by telephone accountants and engineers and the officials of state regulatory commissions, and have been extensively relied upon as such by state commissions.

That said accounts as shown on the books are not separated as to intrastate business and interstate business, and such a separation has not been required by the accounting regulations of the Interstate Commerce Commission or by the Company's administrative necessities; that when such a separation is necessary it must of necessity be based fundamentally upon the extent to which property, facilities and services, jointly used for both kinds of services, were actually used in each of said kinds of service.

That the records of the Company, together with the separation between exchange and toll property in accordance with the use made thereof, as shown by the appraisal made by Mr. Yundt, supplemented by studies made in the usual course of the business, provide the necessary basic data as to the use of property, facilities, services, revenues and expenses for intrastate and interstate business respectively; the records and the underlying data upon which the studies as to the separation of interstate and intrastate business are based, but not the appraisal referred to, being such as the Company itself relies upon in making plans for providing additional plant and facilities for use by the public and in efficiently operating such property, and being of the kind generally used throughout the country by large telephone companies for such purpose.

That the use of property, facilities and services so ascer-
446 tained is an accurate measure for determining what portion of the property, revenue and expenses was for intrastate and interstate service respectively.

That the statements hereinafter set out contain nothing on account of franchises and include no payments for interest or return on investment; that said statements are based upon the rigid ap-

plication of the above principles to the property, revenues and expenses of the Company in Tennessee as shown by its books and records and by the appraisals of Messrs. Yundt and Sloan and to the separation of said property, revenues and expenses between intrastate and interstate conditions.

447 Separation of Property, Revenues, and Expenses of the Cumberland Telephone and Telegraph Company, Incorporated, for the State of Tennesse- for the year 1920.

The following is an explanation in concise form of the separation methods used by me. A complete detailed explanation of the method of determining intrastate and interstate use of property and services, accompanied by tables showing the number of intrastate and interstate messages analyzed and the percentages found of the intrastate and interstate use respectively of the several kinds of property and services is shown in an Exhibit attached hereto and made a part of this affidavit and designated "Exhibit A."

All exchange business is intrastate.

Property.

The separation of property between exchange and toll is largely effected by the initial classification of the Interstate Commerce Commission's Uniform System of Accounts for Telephone Companies. Such apportionments as are necessary are of a relatively minor nature and were made on the basis of the extent of the actual use of the property for exchange service and toll service respectively.

The separation of property between intrastate and interstate was made on the basis of the extent of the use of property for intrastate and interstate service respectively, as fully explained in Exhibit A hereto attached.

Revenues.

Gross Revenues:

Operating revenues are separated between exchange and toll on the books of the Company, with the exception of a few minor items which were apportioned on the most direct or natural basis.

448 Separation of toll revenue between intrastate and interstate was determined by a special study of revenue and messages.

Expenses.

Maintenance Expenses:

Current maintenance of exchange and toll lines is divided upon the Company's books between Exchange and Toll.

Current maintenance of equipment was apportioned between exchange and toll on the most natural bases, principally upon the amount of the investment in the exchange and toll property maintained.

Depreciation is set up separately for exchange and toll depreciable property.

Current maintenance and depreciation of the various kinds of property were apportioned between intrastate and interstate on the basis of the extent of the use of such property for intrastate and interstate service respectively.

Traffic Expenses:

The largest part of these expenses is in the account for Operators' Wages, which is divided between exchange and toll upon the books of the Company.

Miscellaneous Traffic Expenses were apportioned between exchange and toll on the basis of Operators' Wages.

Traffic Superintendence was apportioned between exchange and toll in proportion to the amount of direct traffic expenses attributable to the two kinds of service respectively.

Toll Traffic Expenses were apportioned between intrastate and interstate, principally upon the basis of the amount of work performed by the traffic operators in rendering each of the two kinds of service respectively.

Commercial Expenses were apportioned between exchange
449 and toll as accurately as possible in accordance with the amount of work performed for each of the services, and were apportioned between intrastate and interstate on the most natural bases, principally the number of originating intrastate and interstate toll messages.

General and Miscellaneous Expenses were apportioned to Exchange, intrastate Toll and Interstate Toll on the basis of the total direct current maintenance, traffic and commercial expenses attributable to the respective services.

Taxes were apportioned between Exchange, Intrastate Toll and Interstate Toll on the basis of investment devoted to the respective services.

450 Statement of Intrastate Average Investment Revenues and Expenses, State of Tennessee, Year 1920.

That the net return earned by the plaintiff through its intrastate exchange telephone rates and the rendition of its intrastate exchange telephone service in the State of Tennessee during the year 1920, amounted to seventy nine-one thousandths of one per cent (.079 per cent) of the cost of its property used and useful in and devoted solely to the rendition of the said service.

That the net return earned by the plaintiff through its intrastate toll telephone rates and the rendition of its intrastate toll telephone service in the State of Tennessee during the year 1920, amounted to five and one-half per cent (5.5 per cent) of the cost of its property used and useful in and devoted solely to the rendition of the said service.

That the average net return earned by the plaintiff through all of its intrastate telephone rates, both exchange and toll, and the

rendition of its total intrastate telephone service in said State during the year 1920, amounted to 1.01 per cent of the cost of its total exchange and toll property used and useful in and devoted solely to the rendition of said services.

That the statement showing the intrastate investment revenues and expenses for the year 1920, so separated, is as follows:

451 Average Investment:	Intrastate exchange.	Intrastate toll.	Total intrastate.
Lines & Equipm't	$10,357,433.04	$2,200,646.55	$12,558,079.59
Land	248,378.85	25,994.52	274,372.37
Buildings	735,599.12	82,325.47	817,924.59
Furniture & Fixtures	57,067.89	9,064.43	66,132.32
Tools, Teams and Vehicles.	125,663.84	62,047.80	187,711.64
Working Capital	524,260.55	108,275.43	632,535.98
Total Average Investment	$12,048,403.29	$2,488,354.20	$14,536,757.49
Exchange Revenue	$3,528,870.12	.....	$3,528,870.12
Toll Revenue	.....	$795,536.88	795,536.88
Miscellaneous Revenue	107,075.66	3,027.49	110,103.15
Total Revenues	$3,635,945.78	$798,564.37	$4,434,510.15
General and Miscellaneous expenses	$129,174.63	$21,954.44	$151,129.07
Commercial Expenses	358,650.97	103,167.39	461,818.36
Traffic Expenses	1,209,742.89	186,724.56	1,396,467.45
Current Repairs	681,981.53	131,625.41	813,606.94
Station Removals and Changes.	97,528.80	111.41	97,640.21
Depreciation of Plant and Equipment	742,219.41	117,163.79	859,383.20
Rights, Privileges and Use of Property	173,911.11	55,443.09	229,354.20
Insurance	20,089.19	1,963.91	22,053.10
Taxes	213,140.94	43,414.75	256,555.69
Total Expenses	$3,626,439.47	$661,568.75	$4,288,008.22
Net Revenues	$9,506.31	$136,995.62	$146,501.93
Per cent per Annum of Net Revenues to Average Investment	.079%	5.5%	1.01%

452 Statement of Intrastate Revenues and Expenses on the Basis of the Reproduction Cost Present Condition as per Appraisal of Mr. Yundt, State of Tennessee, 1920.

That the net return earned by the plaintiff through its intrastate telephone rates and the rendition of its intrastate telephone service in the State of Tennessee during the year 1920 expressed in percentage of the reproduction cost in present condition, as per the appraisal of Mr. Yundt, of its property used and useful and devoted solely to the rendition of the Exchange and Intrastate Toll and total Intrastate services respectively.

Per cent per annum of Net Intrastate Exchange Revenue to Reproduction Cost in Present Condition of Intrastate Exchange Property..... .05%
(Five one-hundredths of One per cent)

Per cent per annum of Net Intrastate Toll Revenue to Reproduction Cost in Present Condition of Intrastate Toll Property 3.3%
(Three and three-tenths per cent)

Per cent per annum of Total Intrastate Net Revenue, both Exchange and Toll to Reproduction Cost in Present Condition of Total Intrastate Property..... .67%
(Sixty-seven one-hundredths of One per cent)

That the statement showing the reproduction cost in present condition of Intrastate property, per the appraisal of Mr. Yundt, together with the revenues and expenses for the year 1920, separated as aforesaid, is as follows:

453	Intrastate exchange.	Intrastate toll.	Total intrastate.
Lines & Equipment.....	$14,266,839.00	$3,283,388.61	$17,550,227.61
Land	270,406.00	48,771.18	319,177.18
Buildings	773,309.00	167,562.27	940,871.27
Furniture, Tools & Vehicles....	116,092.00	40,450.76	156,542.76
Working Capital.....	524,260.55	108,275.43	632,535.98
Going Value.....	1,908,420.00	450,759.00	2,359,179.00
Total	$17,859,326.55	$4,099,207.25	$21,958,533.80
Exchange Revenue.....	$3,528,870.12	.....	$3,528,870.12
Toll Revenue.....	.....	795,536.88	795,536.88
Miscellaneous Revenue.....	107,075.66	3,027.49	110,103.15
Total Revenues.....	$3,635,945.78	$798,564.37	$4,434,510.15
General & Miscellaneous Expenses	$129,174.63	$21,954.44	$151,129.07
Commercial Expenses.....	358,650.97	103,167.39	461,818.36
Traffic Expenses.....	1,209,742.89	186,724.56	1,396,467.45
Current Repairs.....	681,981.53	131,625.41	813,606.94
Station Removals and Changes.	97,528.80	111.41	97,640.21
Depreciation of Plant and Equipment	742,219.41	117,163.79	859,383.20
Rights, Privileges and Use of Property	173,911.11	55,443.09	229,354.20
Insurance	20,089.19	1,963.91	22,053.10
Taxes	213,140.94	43,414.75	256,555.69
Total Expenses.....	$3,626,439.47	$661,568.75	$4,288,008.22
Net Revenue.....	$9,506.31	$136,995.62	$146,501.93
Per cent per Annum of Net Revenue to Reproduction Cost, Present Condition.....	.05%	3.3%	.67%

454 Statement of Intrastate Revenues and Expenses on the Basis of the Reproduction Cost Present Condition as per Appraisal of Mr. Sloan, State of Tennessee, 1920.

That the net return earned by the plaintiff through its intrastate telephone rates and the rendition of its intrastate telephone service in the State of Tennessee during the year 1920 expressed in percentage of the reproduction cost in present condition, as per the appraisal of Mr. Sloan, of its property used and useful and devoted solely to the rendition of the Exchange and Intrastate Toll and total Intrastate services respectively.

Per cent per annum of Net Intrastate Exchange Revenue to Reproduction Cost in Present Condition of Intrastate Exchange Property ..... .06%
(Six one-hundredths of One per cent)

Per cent per annum of Net Intrastate Toll Revenue to Reproduction Cost in Present Condition of Intrastate Toll Property 3.6%
(Three and six-tenths per cent)

Per cent per annum of Total Intrastate Net Revenue, both Exchange and Toll to Reproduction Cost in Present Condition of Total Intrastate Property..... .72%
(Seventy-two one-hundredths of One per cent)

That the statement showing the reproduction cost in present condition of Intrastate property, per the appraisal of Mr. Sloan, together with the revenues and expenses for the year 1920, separated as aforesaid, is as follows:

455	Intrastate exchange.	Intrastate toll.	Total intrastate.
Lines & Equipment	$12,976,994.54	$2,974,116.89	$15,951,111.43
Land	221,882.19	40,018.48	261,900.67
Buildings	731,334.59	158,482.97	889,817.56
Furniture, Tools & Vehicles	163,217.00	56,785.71	220,002.71
Working Capital	527,531.29	120,872.75	648,404.04
Going Value	1,902,500.00	435,918.00	2,338,418.00
Total	$16,523,459.61	$3,786,194.80	$20,309,654.41
Exchange Revenue	$3,528,870.12	.....	$3,528,870.12
Toll Revenue	.....	$795,536.88	795,536.88
Miscellaneous Revenue	107,075.66	3,027.49	110,103.15
Total Revenues	$3,635,945.78	$798,564.37	$4,434,510.15
General & Miscellaneous Expenses	$129,174.63	$21,954.44	$151,129.07
Commercial Expenses	358,650.97	103,167.39	461,818.36
Traffic Expenses	1,209,742.89	186,724.56	1,396,467.45
Current Repairs	681,981.53	131,625.41	813,606.94
Station Removals and Changes	97,528.80	111.41	97,640.21
Depreciation of Plant & Equipment	742,219.41	117,163.79	859,383.20
Rights, Privileges & Use of Property	173,911.11	55,443.09	229,354.20
Insurance	20,089.19	1,963.91	22,053.10
Taxes	213,140.94	43,414.75	256,555.69
Total Expenses	$3,626,439.47	$661,568.75	$4,288,008.22
Net Revenues	$9,506.31	$136,995.62	$146,501.93
Per cent per Annum Net Revenues to Reproduction Cost, Present Condition—Sloan Appraisal	.06%	3.6%	.72%

I testified as a witness for the Cumberland Telephone and Telegraph Company in the hearing held before the Railroad and Public Utilities Commission of the State of Tennessee, which hearing began July 18th and ended July 22nd, 1921, and at said hearing I testified to the figures and separation methods set out in this affidavit herein.

The present affidavit is made for the purpose of being used in a certain suit brought by the Cumberland Telephone and Telegraph Company against the Railroad and Public Utilities Commission
456 of the State of Tennessee and Others.

(Sd.) A. B. CRUNDEN.

Sworn to and subscribed before me this 8th day of May, 1922.

(Sd.) JAMES W. GREEN,
[SEAL.] *Notary Public.*

New York County Clerk's No. 39.
New York County Reg. No. 3011.

My Commission Expires March 30, 1923.

457 EXHIBIT "A."

Method of Determining Intrastate and Interstate Use of Toll Plant of the Cumberland Telephone and Telegraph Company, Incorporated. In Tennessee.

The separation of the toll investment, in Tennessee, of the Cumberland Telephone and Telegraph Company, Incorporated, as between that devoted to intrastate use and that to interstate use has been based upon the relative amount of use of the toll circuits and of the toll central office equipments, within the State of Tennessee, in the furnishing of intrastate and interstate toll service.

The relative circuit use and equipment use respectively, having been determined for intrastate and interstate use, the relative use of other facilities in the State of Tennessee for these two divisions of service is readily determined.

The amount of use of toll circuits depends upon three factors, (*a*) the number of toll messages; (*b*) the average circuit miles employed per message; (*c*) the average amount of time in minutes that the operators and subscribers make use of the circuits per message. The product of these three factors gives the total amount of use of toll circuits in message-mile-minutes.

The amount of use of tool equipment depends upon two factors, (*a*) the number of toll messages; (*b*) the average amount of time in minutes that the operators and subscribers make use of the equipment per message. The product of these two factors gives the total amount of use of toll equipment in message-minutes.

Message-mile-minutes for circuit use and message-minutes for equipment use have therefore been employed for proportion-
458 ing the separation of toll investment in Tennessee between intrastate and interstate use.

Toll Traffic Analyzed.

The toll messages analyzed were for the October, 1920, billing period which is from September 21 to October 20, inclusive. The amount of toll traffic using the toll circuits and toll equipment of the Cumberland Company in Tennessee in a period of this length is ample to insure that the study will give an accurate picture of the relative use of toll plant for intrastate and interstate toll service.

The amount of toll use was determined for a total of 277,837 messages, of which 152,591 are intrastate and 125,246 are interstate.

Classification of Toll Traffic.

For the billing month of October, 1920, intrastate and interstate messages have each been classified to take account of the variation in use of circuits or equipment of the Cumberland Company in handling the traffic. The normal first routing of each message was taken as the basis of its use of circuits or equipment of the Cumber-

land Telephone and Telegraph Company, Incorporated, in Tennessee. The classification established is as follows:

Interstate:

1. Traffic involving use of Company toll circuits in Tennessee not routed interstate.

a. Traffic using Company outward, Company switch and Company inward equipment.

b. Traffic using Company outward and Company switch equipment only.

c. Traffic using Company switch and Company inward equipment only.

d. Traffic using Company switch equipment only.

459 2. Traffic involving no use of Company toll circuits in Tennessee.

a. Traffic using Company outward equipment only.

b. Traffic using Company inward equipment only.

c. Traffic using Company outward and Company switch equipment.

d. Traffic using Company inward and Company switch equipment.

Interstate:

1. Traffic involving use of Company toll circuits in Tennessee.

a. Traffic originated and terminated in Tennessee and routed interstate.

b. Traffic originated in Tennessee and terminated outside Tennessee.

c. Traffic originated outside Tennessee and terminated in Tennessee.

d. Traffic originated and terminated outside Tennessee and routed through Tennessee.

2. Traffic involving no use of Company toll circuits in Tennessee.

a. Traffic using Company outward equipment only.

b. Traffic using Company inward equipment only.

c. Traffic using Company outward and Company inward equipment.

d. Traffic using Company outward, Company inward, and Company switch equipment.

Message-mile-minutes has been determined separately for each class of traffic involving use of Cumberland Company circuits in Tennessee.

Message-minutes has been determined for each class of
460 traffic, involving the use of Cumberland Company equipment in Tennessee.

Total intrastate and interstate message-mile-minutes and message-minutes have been obtained by summing the figures for intrastate and interstate classes of traffic respectively. (See Tables IV and V.)

Circuit Use.

Determination of "Miles" Element:

The average length of haul per message for each class of traffic was determined as follows:

For each toll circuit group the pole line distance over the Cumberland Company's toll routes in Tennessee was determined and multiplied by the number of messages of each class of traffic, for the billing month of October, 1920, giving the number of message-miles for each class of traffic for each circuit group. Totals of message-miles for the circular groups in each class of traffic have been secured, separated for copper and iron circuits and divided by the total messages of the proper class, giving average length of haul in Tennessee for each class of traffic.

Pole line distances over this Company's circuits in Tennessee only were used from the point in Tennessee where use of this Company's toll circuits began to the point in Tennessee where use of this Company's toll circuits ended.

Determination of the "Minute" Element:

The minutes of circuit use, that is, the average length of time toll circuits are used per message, was determined separately for the following classes of circuit use:

1. Intrastate outward.
2. Intrastate inward.
3. Interstate outward.
4. Interstate inward.

461 Toll circuit minutes per message is made up of two elements:

1. The average length of time the subscriber uses toll circuits or average length of conversation.

2. The average length of time the operator uses the circuit in establishing the connection.

The average length of time the subscriber uses the toll circuits has been determined separately for intrastate and interstate traffic by analysis of six days' toll messages, June 9, 10, 11, 13, 14 and 15, 1921, covering originating traffic at 14 Tennessee exchanges. The sample of toll tickets covered in the study is large enough to insure that the figures of average length of conversation are an accurate reflection of traffic conditions of the Cumberland Telephone and Telegraph Company in Tennessee.

The average length of time per message that operators use toll circuits is the product of the average time they use the circuits per attempt and the average number of call attempts per completed message.

Average time per attempt that operators use toll circuits has been determined by analysis of the toll detail observation sheets of Tennessee toll traffic extending from February 1, 1920, to January 31, 1921, inclusive, a period of twelve months.

The average number of call attempts per completed message for each of the above classes of circuit use has been determined by an analysis of the same six days' toll tickets as were analyzed to determine the average length of conversation for intrastate and interstate traffic.

For a detailed statement of figures of average circuit minutes for the above circuit classes, see Table No. 1.

Equipment Use.

Determination of the "Minutes" Element:

462 The minutes of equipment use, that is, the average length of time per message that equipment is used, has been determined separately for the following classes of equipment use:

1. Intrastate outward.
2. Intrastate switch.
3. Intrastate inward.
4. Interstate outward.
5. Interstate switch.
6. Interstate inward.

Toll equipment minutes per message is made up of two elements:

1. The average length of time the subscriber uses toll equipment or average length of conversation.

2. The average length of time the operators use toll equipment in establishing the connection.

The average length of conversation as determined for intrastate and interstate traffic for use in securing circuit minutes per message has been used in securing equipment minutes per message.

The average length of time that operators use equipment per message is, as in the case of toll circuit use, the product of the average time the operators use equipment per attempt and the average number of call attempts per completed message.

The average operator's equipment time per attempt has been separately determined for the six classes of equipment use listed above.

The average equipment use per message on intrastate inward and interstate inward is the same as average circuit use per message for the same classes of circuit use respectively.

The average equipment use on intrastate outward and interstate outward is greater than the same classes of circuit use, owing
462 to additional use of equipment in recording the message. The amount of this kind of equipment use has been determined from detail observation sheets for Chattanooga, Knoxville, Memphis and Nashville, Tennessee, for the same period as other observing data and, added to the average equipment use per attempt gives the total outward equipment use per attempt. The product of the number of outward attempts per completed message and the total outward use of equipment per attempt gives the total average equipment minutes per completed message.

The average equipment minutes of use of toll equipment at points where toll traffic is switched has been determined by securing the product of the following three factors:

1. Average equipment minutes per attempt on switched toll messages at toll switching points. This is the same as the outward operator's average use of circuits per attempt.

2. Average number of outward call attempts per completed call. This is the same as the outward call attempts for circuit use.

3. Average number of Company switches in Tennessee per completed message covering both direct and switched toll traffic. This has been determined separately for intrastate traffic and interstate traffic by analyzing the messages for the billing period of October.

For details of derivation of equipment minutes for the several classes of equipment use, see Tables II and III.

464 Application of Message-Mile-Minutes of Circuit Use and Message-Minutes of Equipment Use to Intrastate and Interstate Services.

The following is a brief description of the application of message-mile-minutes and message-minutes to the toll investment of the Cumberland Company in Tennessee to obtain the distribution of the investment between intrastate and interstate toll service.

Circuit Use:

On Table IV a detailed summary is shown for each of the intrastate and interstate classes of toll traffic using the Cumberland Company toll circuits in Tennessee, giving:

(*a*) Classes of toll traffic.

(*b*) Number of messages.

(*c*) The per cent of total messages which are intrastate and interstate.

(*d*) The average length of haul per message over Company's circuits, in miles.

(*e*) Subscriber's average use of circuits per message in minutes.

(*f*) (*g*) and (*h*) Operator's average use per message in minutes.

(*i*) Total average circuit use per message in minutes.

(*j*) The total message-mile-minutes.

(*k*) The per cent of message-mile-minutes divided between intrastate and interstate use.

This table shows that the total message-mile-minutes on intrastate and interstate toll traffic was 62,593,078, of which 46,065,933 or 73.6% was intrastate and 16,527,145 or 26.4% was interstate.

The percentage of distribution of total message-mile-minutes between intrastate and interstate toll traffic as given above are
465 the figures which have been applied to the total Cumberland Company investment in toll outside plant in Tennessee, with the exception of toll circuits, to obtain the distribution of this investment between intrastate and interstate toll service.

On Tables IV-A and IV-B are shown corresponding detailed summaries but dividing the circuit use between use of iron circuits and use of copper circuits. Table IV-A shows that the message-mile-minutes of iron circuit use on intrastate and interstate traffic was 13,680,411, of which 11,958,615 or 87.4% was intrastate and 1,721,796 or 12.6% was interstate.

Table IV-B shows that the message-mile-minutes of copper circuit use on intrastate and interstate toll traffic was 48,912,667, of which 34,107,318 or 69.7% was intrastate and 14,805,349 or 30.3% was interstate.

The percentage distribution given above of the message-mile-minutes of iron circuit use and of copper circuit use respectively between intrastate and interstate toll traffic are the figures which have been applied to the toll investment in Tennessee of the Cumberland Company in iron circuits and in copper circuits respectively to obtain the distribution of this investment between intrastate and interstate toll services.

On intrastate toll traffic and on Class "*a*" and "*d*" interstate toll traffic, the minutes element of operator's use which has been used in determining message-mile-minutes has been the average of the outward and inward units of use. On intrastate traffic and Class "*a*" interstate traffic, the application of the average of the inward and outward use has been necessary since, so far as the amount of circuit use is concerned, each of these classes of messages requires both outward and inward operator's use of circuits in Tennessee.

The average of the outward and inward use of facilities has been used on Class "*d*" interstate traffic, as this traffic is switched in passing through Tennessee. The proper unit to use for circuit
466 use in Tennessee for this traffic, which makes use of circuits in coming into and going out of Tennessee, is the average of the outward and inward circuit use.

Equipment Use:

On Table V a detailed summary is shown for each of the intrastate and interstate classes of toll traffic using Cumberland Company toll equipment in Tennessee, giving:

(*a*) The classes of toll traffic.

(*b*) The number of messages.

(*c*) The per cent of total messages which are intrastate and interstate.

(*d*)-(*i*) inclusive: The subscriber's average use and the operator's average use of each of the three classes of toll equipment—outward, switch, and inward.

(*j*) The total average equipment use per message in minutes.

(*k*) The total message-minutes.

(*l*) The per cent of total message-minutes divided between intrastate and interstate use.

This table shows that the total message-minute for intrastate and interstate classes of toll traffic using Cumberland equipment in Tennessee was 2,969,331, of which 1,976,344 or 66.6% was intrastate and 992,987 or 33.4% was interstate. The above percentages have been used in making the distribution of Cumberland Company toll equipment investment between intrastate and interstate toll service.

The various units of average equipment use per message which have been used in determining the message-minutes for each of the intrastate and interstate classes of toll traffic have been taken from Tables II and III, with the exception of those classes of toll traffic where on each toll message use was made of toll switching equipment. For these classes of messages the subscriber's
467 average use per message of switch equipment is the same as the subscriber's average use of outward and inward equipment. The operator's average use per message for these classes of traffic—using switch equipment on each message—is the same as the outward operator's average use of circuit per message.

TABLE I.

Showing Separately for Intrastate and Interstate Classes of Circuit Use the Average Circuit Use per Completed Message of Toll Traffic of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

	Operator's use.			Subscriber's use.	Total use.
Circuit use, class of.	Avg. number of minutes per attempt.	Avg. number of attempts per completed meg.	Avg. number of minutes per completed meg. (2)x(3).	Avg. length of conversation (minutes).	Avg. number of minutes per completed meg. (4)+(5).
(1)	(2)	(3)	(4)	(5)	(6)
Intrastate:					
Outward ..	2.38*	1.53	3.64	2.74	6.38
Inward ...	1.40*	1.48	2.07	2.74	4.81
Interstate:					
Outward ..	2.57*	1.73	4.45	3.19	7.64
Inward ...	1.37*	1.59	2.18	3.19	5.37

*Determined from analysis of the toll detail observation sheets. (23,561 observations.)

468 TABLE II.

Showing Separately for Intrastate and Interstate Classes of Equipment Use the Average Equipment Use per Completed Message of Toll Traffic of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

	Operator's use.			Subscriber's use.	Total use.
Class of equipment use.	Avg. number of minutes per attempt.	Avg. number of attempts per completed meg.	Avg. number of minutes per completed meg. (2)+(3).	Avg. length of conversation (minutes).	Avg. number of minutes per completed meg. (4)+(5).
(1)	(2)	(3)	(4)	(5)	(6)
Intrastate—					
Outward ..	2.74*	1.53	4.19	2.74	6.93
Switch** .	2.38*	.37**	.88	.67**	1.55
Inward ...	1.40*	1.48	2.07	2.74	4.81
Interstate—					
Outward ..	2.89*	1.73	5.00	3.19	8.19
Switch** .	2.57*	.32**	.82	.59**	1.41
Inward ...	1.37*	1.59	2.18	3.19	5.37

*As determined from analysis of the toll detail observation sheets. (32,142 observations.)

**Average number of call attempts per completed message and average length of conversation for both Intrastate and Interstate use of switch equipment are based upon total traffic, direct and switched. For details of derivation of figures see Table III.

469 TABLE III.

Showing Separately for Intrastate and Interstate Toll Traffic the Derivation of Figures Showing, 1, *Average Number of Attempts per Completed Message;* 2, *Average Length of Conversation per Completed Message for Toll Switching Equipment of the Cumberland Telephone & Telegraph Company, Inc., in Tennessee.*

	Intrastate.	Interstate.
1. Average number of attempts per switched message	1.53	1.73
2. Average number of company switches in Tennessee per Message (Direct and Switched)	.244*	.186*
3. Average number of attempts per completed message (Direct and Switched) for Toll traffic switched in Tennessee, (1) × (2).	.37**	.32**
4. Average length of conversation per switched message	2.74	3.19
5. Average length of conversation per completed message (Direct and Switched) for Toll traffic switched in Tennessee, (2) × (4)	.67	.59

* Determined by studying messages for Tennessee for October, 1920, billing period.

** See Table II.

TABLE IV.

Showing Separately for Intrastate and Interstate Classes of Toll Traffic the Amount of Use of Toll Circuits of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

Based upon Analysis of October, 1920, Billing Period Toll Traffic.

Class of toll traffic.	Messages.		Avg. length of haul per message over company circuits (miles).	Average circuit min. per message.				Total use sum of columns (e) through (h).	Toll circuit use, message, mile, minutes col. (b)x(d)x(i).	Per cent.
				Subscriber's use.	Operator's use.					
	Number.	Per cent.			Outward.	Inward.	Average outward & inward.			
Intrastate: (a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Traffic originating and terminating in Tennessee not routed interstate.....	150,385	60.7	54.7	2.74	....	....	2.86	5.60	46,065,933	73.6
Interstate:										
(a) Traffic originated and terminated in Tennessee and routed interstate...	2,742	....	47.0	2.74	....	....	2.86	5.60	721,694	....
(b) Traffic originated in Tennessee and terminated outside Tennessee.....	41,546	....	25.6	3.19	4.45	....	....	7.64	8,125,733	....
(c) Traffic originated outside Tennessee and terminated in Tennessee.....	47,935	....	25.6	3.19	....	2.18	....	5.37	6,589,721	....
(d) Traffic originated and terminated outside Tennessee and routed through Tenn.	5,013	....	33.4	3.19	....	....	3.32	6.51	1,089,997	....
Sub - Total — Interstate Traffic (Items a + b + c + d).....	97,236	39.3	26.6	3.18	....	....	....	6.39	16,527,145	26.4
Grand Total Traffic—Intrastate and Interstate..	247,021	100.0	....	....	....	....	....	....	62,593,078	100.0

TABLE IV—A.

Showing Separately for Intrastate and Interstate Classes of Toll Traffic the Amount of Use of Toll Circuits of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

Based upon Analysis of October, 1920, Billing Period Toll Traffic.

Class of toll traffic.	Messages. Number.	Messages. Per cent.	Avg. length of haul per message over company iron circuits (miles).	Average circuit min. per message. Subscriber's use.	Operator's use. Outward.	Operator's use. Inward.	Operator's use. Average outward & inward.	Total use sum of columns (e) through (h).	Toll circuit use, message, mile, minutes col. (b)x(d)x(i).	Per cent.
Intrastate: (a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Traffic originating and terminating in Tennessee not routed interstate	150,385	60.7	14.2	2.74	....	....	2.86	5.60	11,958,615	87.4
Interstate:										
(a) Traffic originated and terminated in Tennessee and routed interstate	2,742	....	3.7	2.74	....	....	2.86	5.60	56,814	....
(b) Traffic originated in Tennessee and terminated outside Tennessee	41,546	....	2.8	3.19	4.45	....	....	7.64	888,752	....
(c) Traffic originated outside Tennessee and terminated in Tennessee	47,935	....	2.8	3.19	....	2.18	....	5.37	720,751	....
(d) Traffic originated and terminated outside Tennessee and routed through Tenn.	5,013	....	1.7	3.19	....	....	3.32	6.51	55,479	....
Sub-Total—Interstate Traffic (Items a+b+c+d)	97,236	39.3	2.8	3.18	....	....	....	6.39	1,721,796	12.6
Grand Total Traffic—Intrastate and Interstate	247,621	100.0	...	....	....	....	....	....	13,680,411	100.0

TABLE IV—B.

Showing Separately for Intrastate and Interstate Classes of Toll Traffic the Amount of Use of Toll Circuits of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

Based upon Analysis of October, 1920, Billing Period Toll Traffic.

Class of toll traffic.	Messages.		Avg. length of haul per message over company copper circuits (miles).	Average circuit min. per message.				Total use sum of columns (e) through (h).	Toll circuit use, message, mile, minutes col. (b)x(d)x(i).	Per cent.
				Subscriber's use.	Operator's use.					
	Number.	Per cent.			Outward.	Inward.	Average outward & inward.			
Intrastate: (a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Traffic originating and terminating in Tennessee not routed interstate	150,385	60.7	40.5	2.74	....	....	2.86	5.60	34,107,318	69.7
Interstate:										
(a) Traffic originated and terminated in Tennessee and routed interstate	2,742	....	43.3	2.74	....	....	2.86	5.60	664,880	....
(b) Traffic originated in Tennessee and terminated outside Tennessee	41,546	....	22.8	3.19	4.45	....	....	7.64	7,236,981	....
(c) Traffic originated outside Tennessee and terminated in Tennessee	47,935	....	22.8	3.19	....	2.18	....	5.37	5,868,970	....
(d) Traffic originated and terminated outside Tennessee and routed through Tenn.	5,013	....	31.7	3.19	....	....	3.32	6.51	1,034,518	....
Sub-Total—Interstate Traffic (Items a+b+c+d)	97,236	39.3	23.9	3.18	....	....	....	6.39	14,805,349	30.3
Grand Total Traffic—Intrastate and Interstate	247,621	100.0	....	....	....	....	....	....	48,912,667	100.0

Showing Separately for Intrastate and Interstate Classes of Toll Traffic the Amount of Toll Equipment Use of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

Based upon Analysis of October, 1920, Billing Period Toll Traffic.

Class or toll traffic.	Messages.		Avg. eqpt. use per message (min.).						Total use, sum of columns (d) through (i)	Total eqpt. use.	
			Outward.		Switch.		Inward.			Message minutes, columns (b)×(j)	
	Number	Per cent.	Subr's use.	Opr's use.	Subr's use.	Opr's use.	Subr's use.	Opr's use.			Per cent.
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Intrastate:											
1. Traffic Involving use of Company Circuits in Tennessee:											
a. Traffic using company outward, company switch and company inward equipment	144,176	....	2.74	4.19	.67	.88	2.74	2.07	13.29	1,916,000	....
b. Traffic using company outward and company switch equipment only	3,346	....	2.74	4.19	.67	.88	....	....	8.48	28,374	....
c. Traffic using company switch and company inward equipment only	2,837	....	....	....	.67	.88	2.74	2.07	6.36	18,043	....
d. Traffic using company switch equipment only	26	....	....	....	.67	.88	....	....	1.55	40	....
2. Traffic Involving No Use of Company Circuits in Tennessee:											
a. Traffic using company outward equipment only	844	....	2.74	4.19	....	....	....	....	6.93	5,849	....
b. Traffic using company inward equipment only	844	....	....	....	....	....	2.74	2.07	4.81	4,060	....

c. Traffic using company outward and company switch equipment	276	....	2.74	4.19	.67	.88	....	....	8.48	2,340	....
d. Traffic using company inward and company switch equipment	242	....	....	....	.67	.88	2.74	2.07	6.36	1,539	....
Sub-Total—Intrastate	152,591	54.9	2.67	4.08	.66	.87	2.66	2.01	12.95	1,976,344	66.6
Interstate:											
1. Traffic Involving Use of Company Circuits in Tennessee:											
a. Traffic originated and terminated in Tennessee and routed interstate	2,742	....	2.74	4.19	.67	.88	2.74	2.07	13.29	36,441	....
b. Traffic originated in Tennessee and terminated outside Tennessee	41,546	....	3.19	5.00	.59	.82	....	....	9.60	398,842	....
c. Traffic originated outside Tennessee and terminated in Tennessee	47,935	....	....	....	.59	.82	3.19	2.18	6.78	324,999	....
d. Traffic originated and terminated outside Tennessee and routed through Tennessee	5,013	....	....	....	*3.19	*5.00	....	....	8.19	41,056	....
2. Traffic Involving No Use of Company Circuits in Tennessee:											
a. Traffic using company outward equipment only	14,602	....	3.19	5.00	....	....	....	....	8.19	119,590	....
b. Traffic using company inward equipment only	13,402	....	....	....	....	....	3.19	2.18	5.37	71,969	....
c. Traffic using company outward and company inward equipment	0	....	....	....	....	....	....	....	.....	.....	....

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TABLE V—Continued.

Class of toll traffic.	Messages.		Avg. eqpt. use per message (min.).						Total use, sum of columns (d) through (i)	Total eqpt. use.	
			Outward.		Switch.		Inward.				
	Number.	Per cent.	Subr's use.	Opr's use.	Subr's use.	Opr's use.	Subr's use.	Opr's use.		Message minutes, columns (b)×(j)	Per cent.
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Interstate:											
d. Traffic using company outward, company inward and company switch equipment	6	....	3.19	5.00	.59	.82	3.19	2.18	14.97	90	....
Sub-Total—Interstate	125,246	45.1	1.49	2.34	.56	.81	1.62	1.11	7.93	992,987	33.4
Grand Total—Intrastate and Interstate	277,837	100.0	....	....	....	....	....	....	.....	2,969,331	100.0

* Switch operator's use of equipment is the same as outward operator's use of circuits for these classes.

475 Separation of Revenue and Expenses for the State of Tennessee for the Year 1920 Between (A) Exchange and Toll, (B) Intrastate and Interstate.

Revenues:

Total Operating Revenues are divided between Exchange and Toll on the books of the Company with the exception of a few minor items which were apportioned on suitable bases. The amount of Interstate Toll Revenue was computed from special studies.

Expenses:

Maintenance Expenses.—Current Maintenance Expenses of outside plant are divided on the Company's books between Exchange and Toll. Current Maintenance Expenses for equipment were apportioned on suitable bases, principally investment. Depreciation was set up separately for Exchange and Toll.

Toll Maintenance Expenses for outside plant were apportioned between Intrastate and Interstate on the basis of message-miles-minutes and for equipment on the basis of message-minutes.

Traffic Expenses.—Operators' Wages, constituting the largest part of these expenses, are divided between Exchange and Toll on the books of the Company. Miscellaneous expenses were apportioned between Exchange and Toll on the basis of Operators' Wages. Traffic Superintendence was apportioned between Exchange and Toll in proportion to the direct expenses of each of the services.

Toll Traffic Expenses were apportioned between Intrastate and Interstate principally on the basis of operators message-minutes.

Commercial Expenses were apportioned between Exchanges
476 and Toll as accurately as possible in accordance with the work done for each of the services.

Commercial expenses were apportioned between Intrastate and Interstate on suitable basis, principally the number of originating Intrastate and Interstate messages.

General and Miscellaneous Expenses were apportioned to Exchange, Intrastate Toll and Interstate Toll on the basis of the total direct current maintenance, traffic and commercial expenses of the respective services.

Taxes were apportioned between Exchange, Intrastate Toll and Interstate Toll on the Investment basis.

477 In the District Court of the United States for the Middle District of Tennessee, Nashville Division.

CUMBERLAND TELEPHONE & TELEGRAPH COMPANY, Plaintiff,

vs.

RAILROAD AND PUBLIC UTILITIES COMMISSION OF THE STATE OF TENNESSEE et al., Defendants.

Affidavit of J. J. McTiernan.

This day personally appeared before me, the undersigned Notary Public for the State of Georgia at large, J. J. McTiernan, who is personally known to me, and who, being sworn, deposes and says:

I am chief accountant of the Cumberland Telephone and Telegraph Company, and reside in Atlanta, Georgia. I have been continuously in the employ of said company for the past ten years, having been Auditor of Disbursements previous to my appointment as Chief Accountant.

I am familiar with the books and accounts of said company, which are under my immediate charge and supervision, and know that its said books are correctly and accurately kept.

The Cumberland Telephone and Telegraph Company is under the jurisdiction of the Interstate Commerce Commission and is required to and does make monthly and annual reports to the said Commission. The books and accounts of said Cumberland Telephone and Telegraph Company are kept in strict accordance with the uniform System of accounts for Class A telephone Companies prescribed by the Interstate Commerce Commission.

The following is a statement of the total average investment and the whole of the revenue and expenses in the State of Tennessee for the year 1920:

478 *Statement of Investment, Revenues and Expenses, State of Tennessee, Year 1920.*

Investment:

Average Exchange Lines and Equipment	$10,695,227.01
Average Toll Lines	2,780,161.21
Average Real Estate—Land	287,619.00
Average Real Estate—Buildings	859,710.36
Average Furniture and Fixtures	71,074.20
Average Tools, Teams, Vehicles, etc.	210,956.39
Average Working Capital	473,896.39
Total average investment	$15,488,644.56

Revenue:

Exchange	[illegible]
Toll	[illegible]
Miscellaneous	[illegible]
Total revenue	[illegible]

Expenses:

General and Miscellaneous	[illegible]
Commercial	[illegible]
Traffic	[illegible]
Current Repairs	[illegible]
Station Removals and Changes	[illegible]
Depreciation of Plant and Equipment	[illegible]
Rights, Privileges and Use of Property	[illegible]
Insurance	[illegible]
Taxes	[illegible]
Total expenses	[illegible]
Net Revenue	[illegible]
Earnings per Annum of Net Revenue to Investment	[illegible]
Total Investment at December 31, 1920	[illegible]

The average investment, total revenue and expenses for the eleven months ending November 30, 1922, are as follows:

Average Investment:

Intangible Capital:

Real Estate—Land	[illegible]
Real Estate—Buildings	[illegible]
Exchange Lines and Equipment	[illegible]
Toll Lines	[illegible]
Office Furniture and Fixtures	[illegible]
Stable and Garage Equipment, Tools and Implements	[illegible]
Materials and Supplies	[illegible]
Cash Working Capital	[illegible]
Total average investment	[illegible]

(2) Operating Revenue:

Exchange Service Revenue	[illegible]
Toll Service Revenue	[illegible]
Miscellaneous Operating Revenue	[illegible]
Total operating revenue	[illegible]

Operating Costs:

Current Maintenance	$902,348.73
Depreciation of Plant and Equipment	878,824.31
Traffic Expenses	1,386,144.36
Commercial Expenses	479,245.58
General and Miscellaneous Expenses	189,404.45
Uncollectible Operating Revenues	12,355.95
Taxes Assignable to Operations	254,254.16
Rents and Miscellaneous Deductions	68,187.65
Licensee Revenue—Dr. (Telephone, Services and Privileges)	197,084.94
Total expenses and deductions	$4,367,850.13
Net Revenue	$284,308.55
Percentage per Annum of Net Revenue to Average Investment	1.903
Investment November 30, 1921	$16,682,063.00

Since November 30, 1921, to and including February 28, 1922, the net additions to the investment accounts of the Telephone Company in Tennessee have been $334,932.44.

The investment for the State of Tennessee shown upon these statements is that shown in the books of this Company, but includes nothing for intangibles. By average investment is meant the mean between the actual investment at the beginning and the end of the periods. This investment figure also includes that part of the working capital actually used by said Company, made up of cash, materials and supplies, which is available for use in the State of Tennessee, apportionment of such working capital being made on an investment basis.

The revenue shown in said statements is the total actual revenue of said Company during said periods, from both its exchange and toll business, such revenue including all of its exchange revenue, and its toll revenue, including all intrastate toll revenue and all interstate toll revenue originating in Tennessee but not including any interstate toll revenue originating outside of Tennessee.

All items of expenses shown in the foregoing statements are figures taken from the books of said Company, being the actual amount of money expended, except the item of depreciation. This item of expense was ascertained by applying to the average investment in each class of depreciable property the rate of depreciation for each such class of property in accordance with the instructions of the Interstate Commerce Commission, as set out in the affidavit of J. E. Jagoe filed in this suit.

The average investment, total revenues and total expenses pertaining to the intrastate business for the State of Tennessee, for the eleven months ending November 30, 1921, are as follows:

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	Exchange, intrastate.	Toll, intrastate.	Total, intrastate.
Average Investment:			
Intangible Capital:			
Real Estate—Land	$202,690.76	$20,771.61	$223,462.37
Real Estate—Bldgs	670,960.82	73,610.22	744,571.04
Lines & Equipment	11,083,273.75	2,249,177.83	13,332,451.58
Office Furniture and Fixtures	66,677.05	9,910.79	76,587.84
Stable & Garage Equipment, Tools & Implements	153,400.64	72,302.83	225,703.47
Materials & Supplis	258,691.97	52,206.03	310,898.00
Cash Working Cap'l	247,345.45	49,916.22	297,261.67
Total Average Investment	$12,683,040.44	$2,527,895.53	$15,210,935.97
Operating Revenues:			
Exchange Service Revenues	$3,374,712.23		$3,374,712.23
Toll Service Revenues		$720,361.06	720,361.06
Miscellaneous Operating Revenues	112,069.25	2,279.07	114,348.32
Total Operating Revenues	$3,486,781.48	$722,640.13	$4,209,421.61
Operating Costs:			
Current Mainten'ce	$731,878.35	$118,004.80	$849,883.15
Depreciation of Plant & Equipm'nt	721,571.91	109,591.17	831,163.08
Traffic Expenses	1,113,826.24	164,943.49	1,278,769.73
Commercial Exp'ses	321,592.74	106,747.26	428,340.00
General & Miscellaneous Expenses	148,315.05	26,667.84	174,982.89
Uncollectible Operating Revenues	5,705.46	4,164.54	9,870.00
Taxes Assignable to Operations	194,158.69	42,018.75	236,177.44
Rents and Miscellaneous Deductions	29,147.66	27,289.00	56,436.66
Licensee Revenue — Dr. (Telephones, Services & Privileges)	146,522.80	31,823.81	178,346.61
Total Expenses & Deductions	$3,412,718.90	$631,250.66	$4,043,969.56
Net Revenue—Intrastate	$74,062.58	$91,389.47	$165,452.05
Percentage per Annum of Intrastate Net Revenue to Average Intrastate Investment	0.637	3.944	1.187

482 Attached here to is Exhibit A, showing the method used in separating the investment, revenues and expenses between exchange and toll, intrastate and interstate, for the eleven months ending November 30, 1921, in the State of Tennessee.

Also attached hereto is Exhibit B, being a detailed statement of operations for the eleven months ending November 30, 1921, in-

cluding the method of determination of the amount of depreciation properly chargeable to Tennessee, with the result of operations separated so as to show the result of intrastate operations.

The methods set forth in Exhibit A and applied in Exhibit B are, as affiant verily believes, in all respects reasonable, and the results set forth are, as affiant believes, as nearly accurate as is possible.

The controlling factor employed in determining the portions of investment, revenue and expense properly appertaining to toll and exchange, intrastate and interstate business, is the use of the property.

I am familiar with the accounting practices of the larger telephone companies in the United States, and am familiar with the processes employed by other companies and by commissions in determining the relative amount of exchange and toll, intrastate and interstate, telephone investment, revenue and expenses. There is no better method known to telephone accountants than the one which I have employed. The methods employed by me are strictly analogous in principle to the methods which the Interstate Commerce Commission has directed to be used in the separation of freight and passenger service on large steam railways, effective January 1, 1920.

(Sd.) J. J. McTIERNAN.

Sworn to and subscribed before me this 9th day of May, 1922.

(Sd.) OTEY B. MITCHELL,

[NOTARIAL SEAL.] *Notary Public, State at Large, Atlanta, Ga.*

My Commission Expires Nov. 21, 1925.

483 McTIERNAN EXHIBIT "A."

Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Eleven Months Ending November 30, 1921.

Method Used in Separating Operating Investment, Revenues, Expenses, and Income Deductions Between Exchange and Toll Services and Further Separating the Toll Accounts Between Intrastate and Interstate.

Fundamentally, a Telephone Company supplies the pubic with one service, namely, facilities to talk between two subscribers' stations regardless of distance or location. From its nature the telephone service does not admit of a distinct current separation of the investment and service between Exchange and Toll, a considerable portion of the investment and a large portion of the expense being common to both services. However, since it is considered desirabel to determine a fair division of revenues between the two services it becomes necessary to set up such bases for separating the accounts as will result in a just and fairly accurate separation between Ex-

change and Toll and the latter between Intrastate and Interstate. The purpose of this study, therefore, is to provide for these bases and set up the methods of applying them.

As to the investment, the only investment which is set up in the accounts as Exchange or Toll is the Aerial and Underground Plant and these two classes of fixed capital, which by the way make up a large part of the investment, are classified as Exchange or Toll on the basis of major use. In a study to determine the correct proportion of the fixed capital assignable to the Exchange and Toll services the proportionate use of common plant must be arrived
484 at and the plant so divided; thus—if a pole line route carries 7 exchange circuits (14 wires) and 3 toll circuits (6 wires) the poles on this route would be classified in the accounts on the basis of major use and accordingly carried as Exchange poles, but in this study the investment in these poles would be divided on the basis of proportionate use, that is 70% to Exchange and 30% to Toll.

A study is also made for the State as a whole showing the actual use of the toll wires in connection with Intrastate and Interstate messages and since the Toll Poles are the supports for the toll wires the "Toll Circuit Use" provides a fair basis for separating the Toll Pole Investment so that the Toll Pole Investment referred to above would be further separated between Intrastate and Interstate on the basis of the "Toll Circuit Use."

The foregoing is used simply as an illustration of the plan followed and to indicate that, so far as possible, the "use" to which the property is put is the factor which must govern in making these separations and this plan was followed.

Similarly the Revenues, Expenses and Income Deduction are separated on various bases which are both fair and logical. In the following pages a detailed explanation of the various bases used will be found.

485 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating the Operating Investment as Between Exchange and Toll.

Eleven Months Ended November 30, 1921.

In separating the physical property of the Cumberland Telephone & Telegraph Company, Incorporated, in the State of Tennessee, the following bases were used:

Pole Lines:

The pole lines were separated between exchange and toll on the basis of actual use, thus, if a pole carries four exchange circuits and six toll circuits, this pole would be divided on the basis of the pro-

portionate use as indicated by those attachments, that is, 40 per cent exchange and 60 per cent toll. Where polls are used for supporting wires and cables the separation was in accordance with the respective burdens of each.

Aerial Cable:

Where used jointly, aerial cables were divided on a basis of pairs used for each class of service, thus if a *a* 100 pair cable had 60 pairs in use for exchange service, and 20 pairs for toll service, it was divided on a basis of 75 per cent exchange and 25 per cent toll. In this way the spare pairs were apportioned on the same basis as the working pairs.

Where the wires used or reserved for toll were of a different *guage* from those used or reserved for exchange the cable was separated on the basis of the weight of the wires.

Aerial Wire:

All of this class of plant is exclusively used either for exchange or for toll, except in a few cases the same circuits are jointly used for toll messages and free service messages between exchanges.
486 The portion of these circuits properly assigned to toll is determined by the relative use as determined by a three-day peg count.

Underground Conduit:

This plant was separated on the basis of ducts in use or reserved for use for each class of service, thus, if a 4 duct run has 3 duct reserved for exchange and 1 for toll, this was divided on a basis of 75 per cent exchange and 25 per cent toll.

Where a duct was occupied by a cable containing both toll and exchange wires it was classified as was the cable occupying it.

Underground Cable:

Submarine Cable:

Same as Aerial Cable.

Central Office Equipment:

Equipment used exclusively for toll purposes was counted as toll, and where used exclusively for exchange purposes, was counted as exchange. All Company owned equipment in connecting company exchanges was counted as toll.

Central Office Equipment jointly used was separated as follows:

Main Distributing Frames.—Separated on the basis of the number of protector equipments used for toll as compared with the total protectors in use on the frame.

Intermediate Distributing Frame.—Separated on the basis of line terminal capacity, counting both sides of the frame.

Relay Racks.—Separated on the basis of capacity for mounting plates, assigned to toll as compared with the total capacity.

Cable Racks and Rolling Ladders.—Separated on the basis of the sum of the apportionments, resulting from calculations on main distributing frame, intermediate distributing frame and relay rack.

487 Tie Cables.—Cabling between toll and exchange distributing frame counted as toll.

Coil Racks.—Separated on the basis of shelf space reserved for toll equipment as compared to total shelf space (measured in inches).

Fuse Panels.—Separated on the basis of fuse posts reserved for toll circuits as compared to total fuse posts.

Power Plant.—Separated on the basis of current drain (ampere hours) calculated for toll as compared to total drain.

Subscriber Line Multiple.—Additional line multiple above that installed for exchange service is counted as toll.

Outgoing Trunk Multiple.—Separated on the basis of circuit assignments for toll recording use as compared with total number installed.

Switchboard Framework and Fittings.—Separated according to busy hour equated traffic.

Peg Count Circuits—Ringing Circuits—Operators' Telephone Circuits—Supervisor Telephone Circuits.—Separated on the basis of busy hour equated traffic.

NOTE.—In non-multiple switchboards having a single position handling both the exchange and toll services the cord circuits were separated along with the frameworks and common equipment.

Service Observing Boards.—Frameworks and fittings and all jointly used circuits separated on the basis of circuits' use.

Chief Operators' Desks.—Separated on the basis of busy hour equated traffic for all operator positions supervised.

After this separation between exchange and toll on central office equipment had been made the toll proportion was further separated to lift out the morse element. In this separation all equipment used exclusively for morse services was counted as morse, and the jointly used equipment was counted as follows:

488 Simplex sets when used on phantom circuits were left in toll but when used on morse circuits, were counted as morse.

Frame works and fittings of toll test boards were separated between toll and morse on the basis of the cost of the equipment in the board as used for toll and morse.

Other Equipment of Central Offices:

This equipment was separated on the basis of total operator positions.

Station Equipment Apparatus—Station Equipment Installations—Station Equipment Interior Block Wires—Booths and Special Fittings:

Separated on the basis of actual use. This equipment used exclusively for exchange purposes counted as exchange, and where used exclusively as toll classified to toll.

Substation Equipment—Private Branch Exchanges:

All exchange.

Real Estate—Buildings:

This account classified on books as between "Exchange" and "Toll." There is a small amount of right of way used jointly between exchange and toll but the amount is small and separations very difficult. For this reason no attempt was made to separate this property.

Real Estate—Buildings:

Space Used by Commercial Forces.—Separated on the basis of originating revenue for the year 1921.

Traffic Offices, Operating Rooms, Operators' School Rooms, Terminal Rooms, Also Plant Offices in a Central Office Building.—Separated on the basis of switchboard positions.

Battery and Power Rooms.—Separated on the basis of current drain, the percentage for exchange and toll being furnished from traffic figures which were obtained by calculating the battery
489 drains in term of ampere minutes for local and toll calls.

General Service Space.—This includes toilet rooms, corridors, stairs and elevator halls, boiler rooms, etc. This space was separated according to the total separation of other space in the building.

Storerooms, Warehouses, and Garages, Including Plant Office Space Therein.—Separated on the basis of the hourly use of vehicles and forces working from these buildings.

Real Estate—Land:

Separated on the basis of the total building thereon.

490 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating Operating Revenues as Between Exchange and Toll.

Eleven Months Ending November 30, 1921.

Accounts 500 to 505, Inclusive—Exchange Service Revenues:

There is also allocated to the Exchange Service Revenues any loop rentals which were originally credited to Toll Services, Accounts 512, Leased Toll Line Revenues, and 514, Telegraph Service on Toll Lines.

Accounts 510 to 516, Inclusive—Toll Service Revenues:

All of the credits to the Toll Service Revenue Accounts were allocated to "Toll" with the following exceptions:

(*a*) Revenue credited to Account 512, Leased Toll Lines, covering rental for terminal loops originally credited to the Toll Service Accounts were in this study allocated to "Exchange."

(*b*) The revenue credited to Account 514, Telegraph Service on Toll Lines from Terminal Loops, was also allocated to "Exchange."

Accounts 520 to 525—Miscellaneous Operating Revenues:

Account 520, Messenger Service, was allocated to Toll Service.

Account 521, Telegraph Commissions, was allocated entirely to Exchange Service.

Account 523, Advertising and Directory: This account was separated between "Exchange" and "Toll" on the same basis as Account 649, Directory Expense. See Account 649.

Account 524, Rent from Other Operating Property; Account 525, Other Miscellaneous Revenues: These revenues being earned in connection with property which has been assigned to the Exchange Service, the entire revenue secured was accordingly credited to the Exchange Service.

491 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating Operating Revenues as Between Exchange and Toll.

Eleven Months Ending November 30, 1921.

Account 601—Supervision of Maintenance:

Since charges to this account cover supervision of all current maintenance work, it is proper to make separation between the Exchange and Toll Services on the basis of combined amounts assigned to the Exchange and Toll Services from all of the Maintenance Accounts to which this supervision applies. This basis of separation was used.

Account 602-01—Repairs of Aerial Plant, Pole Lines:

Account 602-02—Repairs of Aerial Plant, Aerial Cable:

Account 602-03—Repairs of Aerial Plant. Aerial Wire:

Account 603-04—Repairs of Underground Plant. Underground Conduit:

Account 603-05—Repairs of Underground Plant. Underground Cable:

Account 603-06—Repairs of Underground Plant. Submarine Cable:

Repairs of Aerial Plant and Repairs of Underground Plant are initially separated on the books as between "Exchange" and "Toll," the classification of these expenses being made on the basis of the original classification of the property. Since separation of the Plant is subsequently made on the basis of proportionate use, the repairs originally classified to "Exchange" and "Toll" respectively, are adjusted in the same proportion as the Plant classified to "Exchange" was transferred to Toll use and Plant classified to "Toll" was transferred to Exchange use. Thus the original classification of this expense is adjusted in line with the use of the property.

492 Account 604—Repairs of Central Office Equipment:

Central Office Equipment having been separated between "Exchange" and "Toll" on the basis of use the Repairs to that equipment should be separated between the two services on the same basis as the equipment was separated. This was done.

Account 605—Repairs of Station Equipment:

In 1920 the actual expenses for repairs to Exchange Stations and repairs to Toll Stations were kept. During a portion of the year 1921 this separation was discontinued. On account of the distance of the Toll Stations from the exchanges the cost of repairing these stations is considerably higher than the cost of repairing Exchange Stations. Since the actual cost for the year 1920 between the two services is obtainable, we used the 1920 performance as a basis for determining the separation of the 1921 expenses between "Exchange" and "Toll."

Account 606—Repairs of Buildings and Grounds:

Repairs of buildings and grounds were apportioned to the Exchange and Toll Services on the basis of the separation of the Central Office Equipment between these two services.

Account 607—Station Removals and Changes:

Apportioned to "Exchange" and "Toll" on the basis of the average number of Exchange and Toll Stations in the State.

Account 610—Other Maintenance Expenses:

This account covers miscellaneous maintenance charges which cannot be assigned to other specifically defined maintenance accounts and as it pertains more or less to all of the maintenance expenses, it is fair to apportion this minor expense account on the basis of percentages developed from combining all the other maintenance separations between the Exchange and Toll Services.

493 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating Depreciation of Total Plant and Equipment as Between Exchange and Toll.

Eleven Months Ending November 30, 1921.

The amount of the depreciation on the different classes of Plant and Equipment was apportioned between "Exchange" and "Toll" on the same basis as the different classes of property were apportioned to these two services. Thus we find that the Plant and Equipment, the Current Maintenance incident thereto and depreciation expense pertaining to the property are all separated between the Exchange and Toll Services on the same basis; that is the determined use to which the property is put.

494 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating Traffic Expenses as Between Exchange and Toll.

Eleven Months Ending November 30, 1921.

The Traffic Department is the department directly concerned with the furnishing of telephone service to the subscriber, the major portion of the total traffic expense being directly associated with the work of the switchboard operators. It will be noted that of the total Traffic expense of $1,386,144.36, Operators' Wages alone amounts to $1,020,207.70, or 73.6 per cent of the total, and if we included all other incidental accounts directly associated with the work of the Operators, the percentage will be increased to about 93.6 per cent of the total. For this reason it would appear that the separation of Operators' wages between "Exchange" and "Toll" provides a fair basis for separating all of the Traffic Expense accounts, with the exception of Accounts 624, Operator's Wages, 630—Messenger Service, and 635—Leased Line Operating expenses.

Account 624—Operators' Wages:

During seven of the twelve months of 1921 a separation of Account 624, Operators' Wages, between "Exchange" and "Toll" was carried, this separation being made on the following basis:

Where exclusive Exchange and exclusive Toll operating forces were employed, the separation was made on the basis of the work handled. At other points where there were no exclusive Exchange and Toll forces the separation was made on the basis of the equated

Traffic load. These original separations were reviewed by the Traffic Officials and the accounts for the five months which did not show this separation were set up as between "Exchange" and "Toll" on the basis of the Traffic units for each exchange.

495 Account 630—Messenger Service:

This should be considered entirely "Toll." However, there was no such expense in the State of Tennessee in the year 1921.

Account 635—Leased Line Operating Expenses:

All Leased Line Operating Expenses are charged to the "Toll" Service.

496 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating Commercial Expenses as Between Exchange and Toll.

Eleven Months Ending November 30, 1921.

Account 640-10—General Commercial Administration:
Account 640-30—Local Commercial Administration—(Overhead portion):

These accounts being of a supervisory nature are apportioned to "Exchange" and "Toll" on the basis that the direct commercial expenses, except 646 and 650, are apportioned to these two services.

Account 640-30—Local Commercial Administration (Direct Portion):

A study made by the Commercial Officials indicated that for the State of Tennessee the Local Manager's time was distributed in the following proportions:

Overhead portion	20%
Direct Portion—Exchange	70%
Direct Portion—Toll	10%

Account 642—Advertising:

All advertising was considered as applying to both the Exchange and Toll Services and was apportioned to "Exchange" and "Toll" on the basis of the total originating Exchange and Toll Revenues.

Account 643—Canvassing:

Canvassing was apportioned to the Exchange and Toll Services on the basis of total originating Exchange and Toll revenues.

Account 644—Sub-Licensee Relations:

All Sub-Licensee Relation expenses charged to "Toll."

497 Account 646—Revenue Accounting:

A study of the costs of the Auditor of Receipts' Office and the office of the Revenue Accounting Supervisor at Nashville was made to determine on the basis of the work actually done by the employes of these offices the distribution of the expenses between the Exchange and Toll Services.

Account 647—Revenue Collecting:

Charges to this account were apportioned to "Exchange" and "Toll" on the basis of the number of subscribers' accounts of each kind, consideration being given to the fact that it is more expensive to collect a toll bill than an exchange bill by considering each toll account equal to two exchange accounts.

Account 648—Pay Station Commissions:

For a portion of the year (seven months) pay station commissions were separated on the books as between "Exchange" and "Toll," the separation being made on the basis of the messages on which commissions were paid. The percentages developed through this actual performance period were used to apportion the pay station commission expenses for the year to the Exchange and Toll Services.

Account 649—Directory Expenses:

The charges to this account were apportioned to "Exchange" and "Toll" on the basis of the use of directories between the Exchange and Toll Services and by assigning as Toll Expense 5 per cent to care for the instructions with regard to Toll use given in the Directories.

Account 650—Other Commercial Expenses:

This account covers a small amount of miscellaneous commercial expense which cannot be assigned to any of the other specifically defined commercial accounts. The charges to this account are apportioned to "Exchange" and "Toll" on the basis of the apportionment of all other commercial accounts except Account 646, Revenue Accounting.

498 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating General and Miscellaneous Expenses as Between Exchange and Toll.

Eleven Months Ending November 30, 1921.

Accounts 660 and 690, Inclusive—General and Miscellaneous Expenses:

The General and Miscellaneous Accounts are all of a more or less general supervisory nature and pertain to all departments and activities of the Company. For this reason the accounts were separated between "Exchange" and "Toll" on the basis of the apportionments of the Current Maintenance Traffic and Commercial Expenses, the combined apportionments of these three groups of accounts between the Exchange and Toll Services being used as the basis of distribution.

Account 316—Miscellaneous Non-operating Revenue:

The account is made up almost exclusively of administration charges on work done for others and is associated with the general expense accounts as a deduction from the expenses rather than showing this amount as a revenue credit. It should be or is separated between the Exchange and Toll Services on the same basis as General Expenses.

499 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method of Separating Rents, Taxes and Income Deductions as Between Exchange and Toll.

Eleven Months Ending November 30, 1921.

Account 304—Uncollectible Operating Revenues:

The charges to this account are separated on the books of the company as between the Exchange and Toll Services.

Account 305—Taxes Assignable to Operations:

State, County and Municipal Taxes are originally set up as the charges against the Exchange and Toll line areas respectively, principally based on the assessment values of the properties. The taxes assigned to the Toll lines are handled as Toll Taxes, while the taxes assigned to the Exchanges were separated between the Exchange and Toll Services on the basis of the separation of the investment located at the exchanges between these two services. Capital Stock

Taxes were apportioned to the Exchange and Toll Services on the basis of the separation of the entire investment in the State between "Exchange" and "Toll."

Account 231—Rent Deductions for Telephone Offices:

The charges to this account were apportioned to "Exchange" and "Toll" on the basis of the separation of the Central Office Equipment between the Exchange and Toll Services.

Account 232—Rent Deductions for Conduits, Poles and Other Supports:

Account 234—Miscellaneous Rent Deductions:

The charges to these accounts are separated on the books of the company, depending entirely on whether or not Exchange or Toll Investment is involved.

State of Tennessee.

Method Used in Separating Rents, Taxes and Income Deductions as Between Exchange and Toll.

Eleven Months Ending November 30, 1935.

Account 241—Miscellaneous Deductions from Income:

This account includes only the uncollectible Federal taxes on all messages which the company is obliged to assume. Accordingly the entire amount is allocated to the Toll Service.

Special Rental Charge:

Apportioned between the Exchange and Toll Services on the same basis as General Expenses, this particular charge being more or less in the nature of a charge incident to General Supervisory purposes.

Account 527—Licenses Revenue—Dr.

This account was apportioned to "Exchange" and "Toll" on the basis of the revenue upon which payments were computed.

501 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Intrastate and Interstate.

Method of Separating Toll Property, Revenues, and Expenses Between Intrastate and Interstate.

Eleven Months Ending November 30, 1921.

Toll telephone service furnished in the State of Tennessee may be intrastate or interstate, depending on whether or not both parties to the conversation are at the same time in the State of Tennessee using property wholly within the state.

The instrumentalities necessary for the transmission of a telephone message are a connecting circuit (two wires), together with the means of support (poles, conduit, etc.), and the terminals (Central Office and Toll Station Equipment).

Two toll wires may be an intrastate Nashville-Memphis circuit for one message, part of a Nashville-New Orleans interstate circuit for a succeeding message, and part of a Louisville-New Orleans interstate circuit for a third message. Since the same toll property, therefore, may be, and is, used in rendering both intrastate and interstate service, no definite physical separation of the property into the two classes is possible. This jointly used (intrastate and interstate) property must, accordingly, be apportioned between the two services on reasonable and equitable bases.

In making the separation of the Toll property, between the intrastate service and the interstate service, the use of the property is in most cases the factor which must govern. For the purpose of determining such property use, the following basis which will be defined in detail have been developed and used:

502 Bases.	Used in tables.
Message Mile-Minutes (Toll Circuit Use)	4, 4-A and 4-B
Total Equipment Message-Minutes (Toll Equipment Use)	5
Operators Equipment Message-Minutes (Toll Equipment Use—Operators)	5-A
Subscribers Equipment Message-Minutes (Toll Equipment Use—Subscribers)	5-A

In the pages immediately following a brief simple explanation of these bases is given, while from pages 7 to 28 a more complete detailed analysis of the progressive steps in building up these bases is appended.

There is also found in Tables 1, 2 and 3 the word "Attempt," which may be confusing but which is also briefly defined.

Message Mile-minutes (Toll Circuit Use).

This basis combines the three elements which must be employed to measure Toll Circuit Use, i. e.,

(*a*) The number of messages;

(*b*) The miles of toll circuit traversed, and

(*c*) The average number of minutes per message.

An example will best serve to illustrate this:
Assume that between two Tennessee points, A and B, there were 40 outward intrastate messages; that the miles of circuit traversed by these messages were 50; and that the average number of minutes of circuit use was six; the combination of these three factors would show:

Messages. Miles. Minutes.

40 x 50 x 6 = 12,000 message mile-minutes.

indicating that on these messages the intrastate circuit use was represented by 12,000 Message Mile-Minutes.

503 An analysis of the toll check reports (detailed record of toll messages) for the State of Tennessee was made and the number of messages of each class of intrastate and interstate service was definitely determined. A study also showed for each class of messages the average miles of circuit use and the average length of time consumed per message.
Such a study was made for every toll route in the state and resulted in showing (see Table 4):

48,192,753 (70.7%) Intrastate Message Mile-Minutes,
and
19,993,328 (29.3%) Interstate Message Mile-Minutes.

From the foregoing it will be seen that Message Mile-Minutes is nothing more than a descriptive term used to indicate toll circuit use. In order to avoid confusion, therefore, instead of using the term:

"Message mile-minutes," we will hereafter substitute therefore the term "Toll circuit use."

Manifestly, the proportionate toll circuit use of the line plant for each class of messages carried by that plant provides a fair basis for the separation of the toll line investment.

Toll Equipment Message-minutes (Toll-equipment Use).

As is indicated in its title, this basis is provided to measure the use of the Toll Central Office Equipment. In "Toll Equipment Use" there are two main factors involved in the handling of toll calls,

the number of toll messages and the average length of time per message.

As is the case in determining "Toll Circuit Use," the "Time" element includes the average length of time of the operator in establishing the connection and the average length of time that the
504 subscriber uses the toll equipment, this latter representing the average length of conversation.

The records of the Company for the State of Tennessee being studied and these two factors, Messages and Minutes, being determined for each class and kind of Intrastate and Interstate business, these factors are combined, resulting in setting up the "Toll Equipment Message-Minutes" on Intrastate and Interstate messages, respectively, showing the following (see Table 5):

1,876,270 (62.7%) Total Intrastate Equipment Message-Minutes.
1,114,486 (37.3%) Total Interstate Equipment Message-Minutes.

From the foregoing it will be seen that "Toll Equipment Message-Minutes" is nothing more than a descriptive term used to indicate "Toll Equipment Use." In order to avoid confusion, therefore instead of using the term "Toll Equipment Message-Minutes," we will hereafter substitute therefor the term "Toll Equipment Use."

Manifestly, the proportionate use of the toll equipment for each class of messages handled over that equipment provides a fair basis for the separation of the Toll Central Office investment.

Operators' Equipment Message-minutes (Toll-equipment Use—Operators).

The "Toll Equipment Use" heretofore defined involves as one of its two major elements the time consumed by the operator in establishing toll connections.

From the study made to determine the "Toll Equipment Use" in the State of Tennessee, we find for each class and kind of intrastate and interstate messages the time thus consumed by the operators.
From this is developed "Operators' Equipment Message-
505 Minutes" on Intrastate and Interstate messages, respectively, showing the following (see Table 5-A):

974,197 (63.4%) Intrastate Operators' Equipment Message-Minutes.
561,327 (36.6%) Interstate Operators' Equipment Message-Minutes.

From this it will be seen that "Operators Equipment Message-Minutes" is nothing more than a descriptive term indicating "Operators' Use of Toll Equipment." In order to avoid confusion, therefore, instead of using the term "Operators Equipment Message-Minutes," we will hereafter substitute therefor the term "Toll Equipment Use—Operators."

This basis is used principally for apportioning Traffic expenses. Thus, for example, "Toll Operators' Wages" are apportioned between the Intrastate and Interstate service on the basis of "Toll Equipment Use—Operators" in connection with each of these classes of messages.

Manifestly, the division of time consumed by the operators in the handling of Intrastate and Interstate toll messages provides a fair basis for separating the "Toll Operators' Wages" and other kindred accounts.

Subscribers' Equipment Message-minutes (Toll-equipment Use—Subscribers).

The second factor in the composition of the element "Toll Equipment Use" is the length of time the subscriber uses the equipment in connection with toll messages.

From the study made to determine the "Toll Equipment Use" in the State of Tennessee, we find for each class and kind of Intrastate and Interstate messages the total conversation time of all messages, from which is developed "Subscribers' Equipment Message-Minutes" on Intrastate and Interstate business, respectively, showing the following (see Table 5-A):

506 902,073 (62.0%) Intrastate Subscribers' Equipment Message-Minutes.

553,159 (38.0%) Interstate Subscribers' Equipment Message-Minutes.

From this it will be seen that "Subscribers' Equipment Message-Minutes" is nothing more than a descriptive term indicating "Toll Equipment Use—Subscribers."

In order to avoid confusion, therefore, instead of using the term "Subscribers' Equipment Message-Minutes," we will hereafter substitute the term "Toll Equipment Use—Subscribers."

This basis is used principally for apportioning the toll station investment and the maintenance incident thereto.

Manifestly, the proportionate use of the toll equipment made by the subscriber on each class of toll messages handled provides a fair basis for separating the toll station investment and all expenses incident thereto.

Attempts.

In Tables 1, 2 and 3 the words "Attempt" and "Attempts" are used in connection with the operators' use of Toll Circuits and Equipment.

When a toll call is received from a subscriber it is necessary for the operator to establish connection with the desired point, and if the call is put in for a particular party it is necessary to secure the called party's attendance at the distant telephone before the originating subscriber is called back on the line. In attempting to establish connection it may be found that the circuit beyond a switching point is not at the time available, or it may be found that the party called cannot at that time be located. These difficulties may make it necessary on the part of both the operator at the originating point and the operator at the terminating point to make two or more efforts to establish the connection. Each such effort is referred to as an "Attempt."

507 Factors Involved.

The factors involved in our study of toll circuit use and toll equipment use of the Cumberland Company's toll plant in Tennessee as separated into that used for intrastate and that used for interstate service, ,as shown in Tables 1 to 5, inclusive, are explained in the pages following, and are:

Factors.	Explained on pages
Messages—Classes and Number	8 and 9
Miles—Average Miles of Circuit Use	10
Minutes—Average Toll Circuit Minutes—Average Toll Equipment Minutes	11
Operators' Use	12 and 13
Subscribers' Use	17
Average Number of Minutes per Attempt	14 and 15
Average Number of Attempts per Message	16
Average Length of Conversation	17
Average Company Switches	18

Messages—Classes and Number.

The greatest demand for toll service in Tennessee comes during the month of October, and as our toll plant is planned to meet this demand for service, we have based the investment use on the number of toll messages handled on the Cumberland Company's toll line circuits and toll central office equipment, in Tennessee, during the October, 1921, billing period, which is from September 21 to October 20, inclusive.

To determine the amount that messages use toll plant the messages have been separated into classes as shown on Tables 4 and 5, according to the various ways messages use toll circuits and toll equipment of the Cumberland Company in Tennessee.

In separating these messages we have assumed, as we do in determining where additional toll circuit construction is necessary,
508 that each message was handled, by the operator, over the normal first routing, as contained in her instructions.

As intrastate messages, we considered these toll messages which were handled between two Tennessee points and did not use circuits or equipment of anyone outside Tennessee.

As interstate messages, we considered all other toll messages which make use of any toll line circuits or toll central office equipment in Tennessee.

The messages counted as involving use of Company toll circuits are those messages which use any length of toll circuit of the Cumberland Company in Tennessee.

The messages counted as involving no use of company circuits in Tennessee are toll messages which involve the Cumberland Company's toll equipment use only. For example, at Dayton, Tennessee, the toll operators handle messages on the Cumberland Company's

toll equipment which involve use of the connecting companies' toll circuits but no use of the Cumberland Company's toll circuits.

Toll messages use toll central office equipment in three ways:

1. Outward equipment in handling originating outward messages.

2. Inward equipment in handling terminating inward messages.

3. Switch equipment in switching messages at intermediate points.

The use of toll equipment was taken at the toll center; i. e., the point at which the ticket is made from which the subscriber is billed.

The number of toll messages of each class in the October, 1921, billing period, involving use of the Cumberland Company's toll circuit in Tennessee are shown in Table 4, column (*b*).

509 The number of toll messages of each class, in the October, 1921, billing period, involving use of the Cumberland Company's toll central office equipment in Tennessee, are shown on Table 5, column (*b*).

Miles—Average Miles of Circuit Use.

Having counted the number of messages of different classes involving circuit use another factor in determining the amount and distribution of circuit used by each message.

For each toll circuit group, the pole line distance over the Cumberland Company's toll routes in Tennessee was determined, as the pole line distance represents the actual length of circuit used. Pole line distances for this Company's circuits in Tennessee only were used from the point in Tennessee where use of this Company's circuits began to the point in Tennessee where use of this Company's circuits ended.

Owing to the large amount of investment in iron and copper wire, which have different investment values, the length of iron circuit use per message was determined separately from copper circuit use.

The total miles of circuit use for all messages were found by multiplying the number of messages between each two points by the circuit mileage used per message and then getting the sum of all the miles of circuit use of each class.

The average miles of circuit use per message were obtained by dividing the total miles of circuit use of each class of messages by the total number of messages of that class. The average miles of circuit use per message in Tennessee thus obtained are shown:

For total toll circuit use in item (*d*), Table 4.
For iron toll circuit use in item (*d*), Table 4-A.
For copper toll circuit use in item (*d*), Table 4-B.

510 Minutes—Average Toll-circuit Minutes, Average Toll-equipment Minutes.

The other factor of toll circuit use and toll equipment use is the average length of time toll circuits or toll central office equipment is used per message. To determine the average length of time that toll circuits or toll equipment are used per message, we studied the length of time required per message:

(*a*) By operators in attempting to establish a connection—Operators' Use.

(*b*) By subscribers in talking to each other—Subscribers' Use.

Toll circuit use per completed message, Table 1, was developed for outward and inward use separately as on switched messages the outward operator uses the circuit to the switching point more than the circuit from the switching point to the inward operator.

Toll equipment use per completed message, Table 2, was developed for outward, switch and inward equipment use separately as toll messages use toll central office equipment in these three ways.

The factors making up Tables 1 and 2 are explained in the pages following.

Operators' Use.

The average length of time that operators use toll circuits and toll central office equipment in attempting to establish a connection is the product of the average time circuits or equipment *are* used per attempt multiplied by the average number of attempts per completed message, as shown on Tables 1 and 2, Item (4).

The method of arriving at the average number of minutes per attempt and the average number of attempts per completed message are described in the pages following.

For Toll Circuit Use, Table 4, 4-A and 4-B, the operators' use has been taken from Table 1, Item (4) as follows:

511 The average of the outward and inward operators' use has been used on Tables 4, 4-A, and 4-B, since on account of the switched messages in these classes the outward use only would be too large and the inward use only too small. On switched messages for example, the outward operator uses the circuit to the switching point more than the circuit from the switching point to the inward operator.

On interstate messages, which originate in Tennessee but terminate in other states Class (*b*), Table 4, the circuit use corresponds to the outward circuit use and on interstate messages, which originate in other states and terminate in Tennessee, the circuit use corresponds to the inward operators' use.

In Interstate messages, Class (*a*) Table 4, which originate and terminate in Tennessee, the average intrastate operators' use is used

as in the developm-nt of this factor the messages originating and terminating in Tennessee were included together in the study.

For Toll Equipment Use, Table 5, the operators' use has been taken from Table 2, Item (4), with the exception that on those classes of messages where use of switch equipment only is made the switch operators' use was taken to be the same as the outward operators' use of circuits.

Average Number of Minutes per Attempt.

The toll service observer in making observations on the toll service for supervisory and engineering purposes, records the length of time a toll line is held by an operator in an attempt to establish a toll connection.

Sufficient observations have been made regularly on outward messages, inward messages and recorded messages at Chattanooga, Knoxville, Memphis, and Nashville to give a fair average of the minutes per attempt required to handle different classes of messages.

The records of these observations are known as toll detail
512 observation sheets and for our study we analyzed toll detail observation sheets covering toll messages observed at these points from January 1, 1921, to December 31, 1921, a period of twelve months.

The outward operators' use of toll circuits and toll central office equipment per attempt is greater than the inward operators' use due mainly to the time necessary to handle switched messages. For example, the outward operator has to ring the switching operator and obtain an answer before the switching operator can complete the circuit and ring the inward operator.

The length of time outward operators use toll equipment per attempt, is greater than the length of time toll circuits are used per attempt due to the time necessary to record the message.

The length of time inward operators use toll equipment per attempt, is the same as the length of time the inward operators use toll circuits.

The length of time switch operators use toll equipment per attempt is the same as the outward operator's use of circuits.

The analysis gave the average number of minutes per attempt for toll circuit use as shown on Table 1, Item (2) and for toll equipment use as shown on Table 2, Item (2).

Average Number of Attempts per Message.

An operator attempting to establish a toll connection between two subscribers makes one or more such attempts on each message and indicates each attempt on the toll ticket from which the subscriber is billed. The toll ticket records show whether the outward operator in attempting to complete a toll connection reaches the distant point or not, that is, whether she uses outward and inward equipment or outward equipment only.

Analysis of ten days toll tickets from September 21st to September 30th, inclusive, 1921, covering toll messages handled at
513 14 Tennessee exchanges gave the average number of attempts using outward equipment, and the average number of attempts using inward equipment, separately, for intrastate and for interstate messages.

The number of attempts using switch equipment is derived as indicated in Table 3. The explanation of Table 3 is given under Average Company switches, page 18, following.

This analysis gave the average number of attempts for different classes of messages for toll circuit use as shown on Table 1, Item (3) and for toll equipment use as shown on Table 2, Item (3).

Subscribers' Use—Average Length of Conversation.

The average length of time that subscribers use toll circuits or toll central office equipment in talking to each other is shown in minutes and seconds on the toll tickets.

The toll ticket records are the best source of information from which to find out the subscribers' use of toll circuits and toll equipment per message or average length of conversation.

By an analysis of the same ten days toll messages that we used to determine the average number of attempts per message, the average length of time that subscribers' use toll circuits and toll central office equipment per message was determined separately for intrastate and interstate use. The results of this analysis are shown on Tables 1 and 2, Item (5).

The length of conversation for both inward and outward toll circuit use and toll equipment use is the same, as the subscriber uses all equally when he talks.

The length of conversation for switch equipment use is derived as explained on page 18 following.

The subscribers' use shown on Tables 4, 4-A and 4-B has been taken from Table 1, Item (5).

The subscribers' use shown on Table 5 has been taken
514 from Table 2, Item (5) except as in the case of operators' use, where use is made only of switch equipment, the subscribers' use is taken the same as the outward use of circuits.

On interstate (Class A) messages, originating and terminating in Tennessee, but routed through another state, the intrastate subscribers' use has been used, as these messages were included with Tennessee to Tennessee messages in making our study of subscribers' use per message.

Average Number of Company Switches.

Explanation of Table 3:

In order to find out the switch equipment use, the number of switches made in Tennessee on intrastate and interstate toll messages handled on the Cumberland Company's tool equipment were counted

separately. The messages analyzed were for the October, 1921, billing period, it being assumed that the messages were handled by the operator, over the normal first routing as contained in her instructions.

The number of switches divided by the total messages, both direct and switched gave the average number of Company switches per completed message separately for intrastate and interstate as shown on Table 3, Item (2).

The average number of attempts per switched message and the average length of conversation on switched messages were assumed to be the same as the outward circuit use.

The average number of attempts per switched message multiplied by the average number of company switches per completed message gave the average number of attempts per completed message (direct and switched) for toll messages switched in Tennessee shown on Table 3, Item (3).

515 Similarly the average length of conversation per completed message (direct and switched) was obtained as shown on Table 3, Item (5).

These figures are derived simply to equate the switch equipment use into terms of a completed message, to make it easier to show the results in tabulated form on Tables 2 and 5.

TABLE I.

Showing Separately for Intrastate and Interstate Classes of Circuit Use the Average Circuit Use Per Completed Toll Message of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

Class of circuit use. (1)	Operator's use. Average number of minutes, attempt. (2)	Operator's use. Average No. of attempts per completed message. (3)	Operator's use. Average No. of min. per completed message (2)×(3). (4)	Subscriber's use. Average length of conversation (minutes). (5)	Total use. Average No. of minutes per completed message (4)+(5). (6)
Intrastate:					
Outward	2.28*	1.52	3.47	2.74	6.21
Inward	1.26*	1.44	1.81	2.74	4.55
Interstate:					
Outward	2.48*	1.74	4.32	3.30	7.62
Inward	1.07*	1.54	1.65	3.30	4.95

*Determined from an analysis of the toll detail observation sheets. (30,457 observations.)

TABLE II.

Showing Separately for Intrastate and Interstate Classes of Equipment Use the Average Equipment Use Per Completed Toll Message of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

Class of equipment use.	Operator's use. Average number of minutes per attempt.	Operator's use. Average No. of attempts per completed message.	Operator's use. Average No. of min. per completed message (2)×(3).	Subscriber's use. Average length of conversation (minutes).	Total use. Average No. of minutes per completed message (4)+(5).
(1)	(2)	(3)	(4)	(5)	(6)
Class of Equipment Use:					
Intrastate:					
Outward	2.63*	1.52	4.00	2.74	6.74
Switch**	2.28*	.32**	.73	.58**	1.31
Inward	1.26*	1.44	1.81	2.74	4.55
Interstate:					
Outward	2.78*	1.74	4.84	3.30	8.14
Switch**	2.48*	.32**	.79	.60**	1.39
Inward	1.07*	1.54	1.65	3.30	4.95

*As determined from analysis of the toll detail observation sheets. (41,905 observations.)

**Average number of call attempts per completed message and average length of conversation for both Intrastate and Interstate use of switch equipment are based upon total messages direct and switched. For details of derivation of figures see Table 3.

518 TABLE 3.

Showing Separately for Intrastate and Interstate Toll Messages the Derivation of Figures Indicating A, Average Number of Attempts per Completed Message; B. Average Length of Conversation per Completed Message for Toll-switch Equipment of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

	Intrastate.	Interstate.
1. Average number of attempts per switched message	1.52	1.74
2. Average number of company switches in Tennessee per Message (Direct and Switched)..	.210*	.182*
3. Average number of attempts per completed message (Direct and Switched) for Toll Messages switched in Tennessee, (1) × (2)	.32**	.32**
4. Average length of conversation per switched message	2.74	3.30
5. Average length of conversation per completed message Direct and Switched) for Toll Messages switched in Tennessee (2) × (4)	.58**	.60**

519 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating the Toll Property Between Intrastate and Interstate.

Eleven Months Ending November 30th, 1921.

The property having been separated between the Exchange service and the Toll service in accordance with the use to which the property is put, is now becomes necessary to make a further separation of the property assigned to "Toll" between intrastate and interstate, and again "use" is the factor which must control:

The following are the bases used in making this separation:

Toll Real Estate, Land.—"Toll Equipment Use."

Toll Real Estate, Buildings.—"Toll Equipment Use."

Since the Real Estate houses the Toll Central Office Equipment, one of the main instrumentalities in the rendering of Toll Service,

*Determined by studying message for Tennessee for October, 1921, billing period.

**See Table 2.

the basis used for separating the equipment—"Toll Equipment Use" provides an equally fair basis for separating the Real Estate investment.

Toll Central Office Equipment.—"Toll Equipment Use."

Other Equipment of Central Offices.—"Toll Equipment Use."

Toll Station Equipment, Apparatus.—"Toll Equipment Use-Subscribers.

Toll Station Equipment, Installations.—"Toll Equipment Use-Subscribers.

The subscribers' use of the equipment, indicating the division of the subscribers' time on intrastate and interstate messages, is a fair basis for separating the Toll Station Equipment.

Showing Separately for Intrastate and Interstate Classes of Toll Messages the Amount of Use of Toll Circuits of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

Based upon Analysis of October, 1921, Billing Period Toll Messages.

Class of toll messages.	Messages. Number. (b)	Messages. Per cent. (c)	Average miles of circuit use per message over toll circuits. (d)	Average circuit minutes per message. Operator's use. Subscriber's use. (e)	Outward. (f)	Inward. (g)	Average outward & inward. (h)	Total use sum of columns (e) through (h). (i)	Total toll circuit use, message, mile, minutes col. (b)x(d)x(i). (j)	Per cent of total toll circuit use (k)
Intrastate: (a)										
Messages originating and terminating in Tennessee not routed interstate.....	150,298	57.4	59.6	2.74	....	....	2.64	5.38	48,192,753	70.7
Interstate:										
(a) Messages originated & terminated in Tennessee and routed interstate.....	4,791	....	76.6	2.74	....	....	2.64	5.38	1,974,409	....
(b) Messages originated in Tennessee and terminated outside Tennessee.....	48,069	....	27.0	3.30	4.32	....	....	7.62	9,889,716	....
(c) Messages originated outside Tennessee and terminated in Tennessee.....	54,596	....	27.0	3.30	....	1.65	....	4.95	7,206,755	....
(d) Messages originated and terminated outside Tennessee and routed through Tennessee	4,283	....	30.9	3.30	....	....	2.99	6.29	832,448	....
Sub-Total—Interstate Messages (Items a+b+c+d)	111,739	42.6	29.2	3.25	....	....	....	6.13	19,903,328	29.3
Grand Total Messages—Intrastate and Interstate.	262,037	100.0	....	....	....	....	....	....	68,186,081	100.0

681 TABLE 4-A.

Showing Separately for Intrastate and Interstate Classes of Toll Messages the Amount of Use of Toll Circuits of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

Based upon Analysis of October, 1921, Billing Period Toll Messages.

Class of toll messages	Messages. Number.	Messages. Per cent.	Average miles of circuit use per message over iron toll circuits.	Average circuit minutes per message. Subscriber's use.	Operator's use. Outward.	Operator's use. Inward.	Operator's use. Average outward & inward.	Total use sum of columns (e) through (h)	Iron toll circuit use, message, mile, minutes col. (b)x(d)x(i)	Per cent of iron toll circuit use.
Intrastate: (a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Messages originating and terminating in Tennessee not routed interstate.....	150,298	57.4	14.0	2.74	....	....	2.64	5.38	11,320,445	82.1
Interstate:										
(a) Messages originating and terminated in Tennessee and routed interstate....	4,791	....	15.4	2.74	....	....	2.64	5.38	395,944	....
(b) Messages originated in Tennessee and terminated outside Tennessee.....	48,069	....	3.1	3.30	4.32	....	....	7.62	1,135,486	....
(c) Messages originated outside Tennessee and terminated in Tennessee.....	54,596	....	3.1	3.30	....	1.65	....	4.95	837,775	....
(d) Messages originated and terminated outside Tennessee and routed through Tennessee.....	4,283	....	3.7	3.30	....	....	2.99	6.29	99,678	....
Sub - Total — Interstate Messages (Items a + b + c + d).....	111,739	42.6	3.6	3.24	....	....	....	6.14	2,469,883	17.9
Grand Total Messages— Intrastate & Interstate..	262,037	100.0	....	....	....	....	....	....	13,790,328	100.0

Showing Separately for Intrastate and Interstate Classes of Toll Messages the Amount of Use of Toll Circuits of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

Based upon Analysis of October, 1921, Billing Period Toll Messages.

Class of toll messages	Messages. Number. (b)	Messages. Per cent. (c)	Average miles of circuit use per message over copper toll circuits. (d)	Average circuit minutes per message. Subscriber's use. (e)	Operator's use. Outward. (f)	Operator's use. Inward. (g)	Operator's use. Average outward & inward. (h)	Total use sum of columns (e) through (h) (i)	Copper toll circuit use, message, mile, minutes col. (b)x(d)x(i) (j)	Per cent of copper toll circuit use. (k)
Intrastate: (a)										
Messages originating and terminating in Tennessee not routed interstate	150,298	57.4	45.6	2.74	....	....	2.64	5.38	36,872,308	67.8
Interstate:										
(a) Messages originated and terminated in Tennessee & routed interstate	4,791	....	61.2	2.74	....	....	2.64	5.38	1,577,465	....
(b) Messages originated in Tennessee and terminated outside Tennessee	48,069	....	23.9	3.30	4.32	....	....	7.62	8,754,230	....
(c) Messages originated outside Tennessee and terminated in Tennessee	54,506	....	23.9	3.30	....	1.65	....	4.95	6,458,980	....
(d) Messages originated and terminated outside Tennessee and routed through Tennessee	4,283	....	27.2	3.30	....	....	2.99	6.29	732,770	....
Sub - Total — Interstate Messages (Items a + b + c + d)	111,739	42.6	25.6	3.25	....	....	....	6.13	17,523,445	32.2
Grand Total Messages— Intrastate & Interstate	262,037	100.0	....	....	....	....	....	....	54,395,753	100.0

Tables 5.

Showing Separately for Intrastate and Interstate Classes of Toll Messages the Amount of Toll Equipment use of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

Based upon Analysis of October, 1921, Billing Period Toll Messages.

Class of toll messages.	Messages.		Avg. toll eqpt. use per message (min).						Total use, sum of cols. (d) through (i).	Total toll eqpt. use, message, minutes, cols. (b)×(j).	Per cent of total toll eqpt. use.
			Outward.		Switch.		Inward.				
	Number.	Per cent.	Subr's use.	Opr's use.	Subr's use.	Opr's use.	Subr's use.	Opr's use.			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Intrastate:											
1. Messages Involving Use of Company Circuits in Tennessee:											
a. Messages using Company outward, Company switch, and Company inward equipment	144,484	....	2.74	4.00	.58	.73	2.74	1.81	12.60	1,820,498	....
b. Messages using Company outward & Company switch equipment only.....	3,081	....	2.74	4.00	.58	.73	....	....	8.05	24,802	....
c. Messages using Company switch & Company inward equipment only.....	2,674	....	....	....	.58	.73	2.74	1.81	5.86	15,670	....
d. Messages using Company switch equipment only.....	59	....	....	....	.58	.73	....	....	1.31	77	....
2. Messages Involving No Use of Company Circuits in Tennessee:											
a. Messages using Company outward equipment only...	711	....	2.74	4.00	....	....	....	....	6.74	4,792	....
b. Messages using Company inward equipment only....	711	....	....	....	....	....	2.74	1.81	4.55	3,235	....

TABLE 5—Continued.

Showing Separately for Intrastate and Interstate Classes of Toll Messages the Amount of Toll Equipment use of the Cumberland Telephone & Telegraph Company, Incorporated, in Tennessee.

Based upon Analysis of October, 1921, Billing Period Toll Messages.

Class of toll messages.	Messages. Number.	Messages. Per cent.	Avg. toll eqpt. use per message (min). Outward. Subr's use.	Outward. Opr's use.	Switch. Subr's use.	Switch. Opr's use.	Inward. Subr's use.	Inward. Opr's use.	Total use, sum of cols. (d) through (i).	Total toll eqpt. use, message, minutes, cols. (b)×(j).	Per cent of total toll eqpt. use.
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Intrastate:											
c. Messages using Company outward & Company switch equipment	142	....	2.74	4.00	.58	.73	....	....	8.05	1,143	....
d. Messages using Company inward & Company switch equipment	114	....	....	....	.58	.73	2.74	1.81	5.86	668	....
e. Messages using Company outward & Company inward equipment	477	....	2.74	4.00	....	....	2.74	1.81	11.29	5,385	....
Sub-Total—Intrastate	152,453	51.3	2.68	3.91	.57	.72	2.67	1.76	12.31	1,876,270	62.7
Interstate:											
1. Messages Involving Use of Company Circuits in Tennessee:											
a. Messages originated and terminated in Tennessee and routed interstate	4,791	....	2.74	4.00	.58	.73	2.74	1.81	12.60	60,367	....
b. Messages originated in Ten-											

nessee & terminated outside Tennessee	46,069	....	3.30	4.84	.60	.79	....	....	9.53	458,098	....
c. Messages originated outside Tennessee and terminated in Tennessee	54,506	....	....	....	.60	.79	3.30	1.65	6.34	346,139	....
d. Messages originated and terminated outside Tennessee and routed through Tennessee	4,283	....	....	....	3.30*	4.32*	....	....	7.62	32,636	....
2. Messages Involving No Use of Company Circuits in Tennessee:											
a. Messages using Company outward equipment only	16,548	....	3.30	4.84	....	....	....	....	8.14	134,701	....
b. Messages using Company inward equipment only	16,626	....	....	....	....	....	3.30	1.65	4.95	82,299	....
c. Messages using Company outward and Company inward equipment	.....	....	....	....	....	....	....	....	....	.....	....
d. Messages using Company outward, Company inward and Company switch equipment	17	....	3.30	4.84	.60	.79	3.30	1.65	14.48	246	....
Sub-Total—Interstate	144,930	48.7	1.57	2.29	.54	.71	1.71	.87	7.69	1,114,486	37.3
Grand Total—Intrastate and Interstate	297,383	100.0	....	....	....	....	....	....	.....	2,990,756	100.0

* Switch operator's use of equipment is the same as outward operator's use of circuits for these classes.

Showing Separately for Intrastate and Interstate Classes of Toll Messages the Amount of Toll Equipment Use-Subscribers' and Toll Equipment Use-Operators' of the Cumberland Telephone and Telegraph Company, Incorporated, in Tennessee.

Based upon Analysis of October, 1921, Billing Period Toll Messages.

Class of toll messages.	Messages.		Total subr. use sum of columns (*d*), (*f*) & (*h*), table 5.	Total toll eqpt. use-subscribers' message, minutes, columns (*b*) x (*m*).	Per cent of of toll equipment use-subscribers.	Total opr. use sum of columns, (*e*), (*g*) & (*i*) table 5.	Total toll eq't use-operators' message, minutes, columns (*b*) x (*p*).	Per cent of toll equipment use-operators.
	Number.	Per cent.						
(*a*)	(*b*)	(*c*)	(*m*)	(*n*)	(*o*)	(*p*)	(*q*)	(*r*)
Intrastate:								
1. Messages Involving Use of Company Circuits in Tennessee:								
a. Messages using Company outward, Company switch, and Company inward equipment..	144,484	....	6.06	875,573	....	6.54	994,925	....
b. Messages using Company outward and Company switch equipment only.....	3,081	....	3.32	10,229	....	4.73	14,573	....
c. Messages using Company switch and Company inward equipment only.....	2,674	....	3.32	8,878	....	2.54	6,792	....
d. Messages using Company switch equipment only	59	....	.58	34	....	.73	43	....
2. Messages Involving No Use of Company Circuits in Tennessee:								
a. Messages using Company outward equipment only.....	711	....	2.74	1,948	....	4.00	2,844	....
b. Messages using Company inward equipment only	711	....	2.74	1,948	....	1.81	1,287	....
c. Messages using Company outward and Company switch equipment.....	142	....	3.32	471	....	4.73	672	....

d. Messages using Company inward and Company switch equipment								
e. Messages using Company outward and Company inward equipment	114	....	3.32	378	....	2.54	290	....
Sub-Total—Intrastate	477	....	5.48	2,614	....	5.81	2,771	....
	152,453	51.3	5.92	902,073	62.0	6.39	974,197	63.4
Interstate:								
1. Messages Involving Use of Company Circuits in Tennessee:								
a. Messages originated and terminated in Tennessee and routed interstate	4,791	....	6.06	29,034	....	6.54	31,333	....
b. Traffic originated in Tennessee and terminated outside Tennessee	48,069	....	3.90	187,469	....	5.63	270,629	....
c. Traffic originated outside Tennessee and terminated in Tennessee	54,596	....	3.90	212,925	....	2.44	133,214	....
d. Traffic originated and terminated outside Tennessee and routed through Tennessee	4,283	....	3.30*	14,134	....	4.32*	18,502	....
2. Messages Involving No Use of Company Circuits in Tennessee:								
a. Messages using Company outward equipment only	16,548	....	3.30	54,609	....	4.84	80,092	....
b. Messages using Company inward equipment only	16,626	....	3.30	54,866	....	1.65	27,433	....
c. Messages using Company outward and Company inward equipment	.....	....	....	.....	....	....	.....	....
d. Messages using Company outward, Company inward and Company switch equipment	17	....	7.20	122	....	7.28	124	....
Sub-Total—Interstate	144,930	48.7	3.82	553,150	38.0	3.87	561,327	36.6
Grand Total Intrastate and Interstate	297,383	100.0	....	1,455,232	100.0	....	1,535,524	100.0

* Switch operator's use of equipment is the same as outward operator's use of circuits for these classes.

527 The Toll Aerial Investment made up of:

Toll Right of Way—"Toll Circuit Use."
Toll Pole Lines—"Toll Circuit Use."
Toll Aerial Cable—"Toll Circuit Use."
Toll Aerial Wire—"Toll Circuit Use."
and
The Toll Underground Investment comprising:
Toll Underground Conduit—"Toll Circuit Use."
Toll Underground Cable—"Toll Circuit Use."
Toll Submarine Cable—"Toll Circuit Use."

The "Toll Circuit Use" measuring, as it does, the proportionate use of the wire plant should also be used as the measure for determining the separation of the Poles, Cables and Conduits which carry these toll circuits, all of this property, in so far as use is concerned, being inseparably associated each with the other.

Interest During Construction.—Since interest during Construction applies to all Telephone property accounts it is proper to separate this investment between intrastate and interstate on the basis of percentages arrived at by combining the results of the separation of all the other toll property accounts—Basis: On the basis of percentages developed from a combination of the separations of the property accounts to which this interest pertains.

Account 261—Office Furniture and Fixtures.—Basis: "Toll Equipment Use."

Account 264 and 265—Tools, Teams, Vehicles, etc.—Basis: "Toll Circuit Use."

Materials and Supplies; Cash Working Capital.—Separation of these two items between intrastate and interstate was made on the basis of the separation of all other investment accounts between these two services.

528 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating the Toll Revenues Between Intrastate and Interstate.

Eleven Months Ending November 30, 1921.

Accounts 510 to 515, Inclusive—Toll Service Revenues:
Account 510—Message Tolls:

In view of the fact that the detailed analysis of messages to determine circuit use was made for the month of October, 1921, that month was also used to determine the actual division of Message Toll revenue between intrastate and interstate.

All messages of the Cumberland Telephone and Telegraph Company in Tennessee were considered in the study and resulted in showing:

Intrastate Revenue .....$77,355.12—66.71%
Interstate Revenue .....$38,609.95—33.29%

Originating commission and prorates from the American Telephone and Telegraph Company were also analyzed showing:

Intrastate Revenue ..... $352.67— 4.95%
Interstate Revenue .....$6,770.01—95.05%

These percentages were accordingly used to separate the Message Tolls between the intrastate and interstate services.

Account 512—Leased Toll Lines:

A study of this account for the entire year was made; and the total revenue separated between the intrastate Toll Service and interstate Toll Service according to fact.

Account 514—Telegraph Service on Toll Lines:

A study of this account for the entire year was made; Loop rentals originally credited this account were allocated to Exchange
529 Service revenues and the balance separated between intrastate and interstate according to fact.

Account 515—Minor Rents of Toll Plant:

Since this account represents rent revenues from the toll property which has been separated between intrastate and interstate on the basis of "Toll Circuit Use" that basis has also been used to separate the rent revenues derived from that property.

Account- 520 to 525, Inclusive—Miscellaneous Operating Revenues.

Account 520—Messenger Service:

This account was separated between intrastate and interstate on the basis of the number of outward intrastate and interstate messages.

Account 523—Advertising and Directory:

This account was separated between intrastate and interstate on the same basis as Account 649—Directory Expense. A study showed a certain number of directories were used for toll purposes and that each directory carried instructions for toll users. The toll portion of the expense is separated between intrastate and interstate on basis of number of outward messages; this account (Advertising and Directory) similarly apportioned.

530 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating Toll Maintenance Expense Between Intrastate and Interstate.

Eleven Months Ending November 30, 1921.

Account 602-01—Repairs of Pole Lines—Toll:
Account 602-02—Repairs of Aerial Cable—Toll:
Account 602-03—Repairs of Aerial Wire—Toll:
Account 603-04—Repairs of Underground Conduit—Toll:
Account 603-05—Repairs of Underground Cable—Toll.
Account 603-06—Repairs of Submarine Cable—Toll.

Since these repair expenses are in connection with property which has been separated between intrastate and interstate on the basis of "Toll Circuit Use," it is proper that the same basis be used for separating these expenses; accordingly, the separation was made on the basis of "Toll Circuit Use."

Account 604—Repairs of Central Office Equipment—Toll:

The toll portion of thir repair expense is separated on the basis of "Toll Equipment Use," that being the basis used for separating the property upon which these repairs were made.

Account 605—Repairs of Toll Station Equipment—Toll.

The expense of repairs to toll stations in separated on the basis of "Toll Equipment Use—Subscribers," that being the same basis upon which the Toll Station Investments was separated.

Account 606—Repairs of Buildings and Grounds—Toll:

The toll portion of the expense covering repairs to Buildings and Grounds was separated on the basis of "Toll Equipment
531 Use," that being the basis used for separating the Real Estate Investment.

Account 697—Station Removals and Changes—Toll:

The Toll Station removals and changes expense was separated between intrastate and interstate on the basis of "Toll Equipment Use—Subscribers," that being the basis on which the Toll Station investment was separated.

Account 610—Other Maintenance Expenses—Toll:

This minor account covers Miscellaneous Maintenance Charges which cannot be assigned to other specific maintenance accounts. Accordingly, the toll portion of this expense is separated between

intrastate and interstate on the basis of percentages developed from combining all the foregoing maintenance separations.

Account 601—Supervision of Maintenance—Toll.

Since the charges to this account cover the supervision of all the current maintenance work, it is proper to separate the toll portion of charges to this account on the basis of the combined amounts assigned to the intrastate and interstate services through all of the accounts thus supervised. This was done.

From the foregoing it will be seen that the separation of the expense covering the upkeep of the property is made on the same bases as were used to separate the property itself.

If the use of the property is a proper basis for separating the property, it follows that this will also be a proper basis for separating the maintenance expenses.

532 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating Depreciation of Toll Plant and Equipment Between Intrastate and Interstate.

Eleven Months Ending November 30, 1921.

Account 608—Depreciation of Plant and Equipment—Toll:

The amount of depreciation on the different classes of Toll Plant and Equipment was apportioned between intrastate and interstate on the same bases as the different classes of property were apportioned, the bases being:

"Toll Circuit Use," and
"Toll Equipment Use," and
"Toll Equipment Use—Subscribers,"

as was appropriate. Thus we find that the Property Investment, the Current Maintenance, and the Depreciation Expense pertaining to the property are all separated on the same basis; i. e., the determined use to which the property is put.

533 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Use- in Separating Toll Traffic Expenses Between Intrastate and Interstate.

Eleven Months Ending November 30, 1921.

The Traffic Department is concerned only with the furnishing of service, the major portion of the Traffic expense being directly associated with the work done by the switchboard operators. It

will be noted that Operators' Wages alone amount to about 75 per cent of the total intrastate traffic expense and, if we include the other incidental accounts directly associated with the "Operators'" work, the percentage will be increased to slightly in excess of 90 per cent of the total. For this reason "Total Equipment Use—Operators," which basis measures the time consumed by the operators in handling the toll messages, provides a fair basis for separating all the Traffic Expense accounts except Account 628—Transmission Power, and Account 635—Leased Line Operating Expense, and this basis was accordingly used.

Account 628—Transmission Power:

The Toll portion of this account was separated between intrastate and interstate on the basis of "Toll Equipment Use," this providing a fair basis for separating the power expense on toll messages between the intrastate and interstate services.

Account 635—Leased Line Operating Expense.

Account 514—Telegraph Service of Toll Lines, is the Revenue account associated with this expense account. A study of the revenue account for the year 1921 permitted an accurate separation of Account 514 between intrastate and interstate, and on the basis of this separation of the revenue account the Leased Line Operating Expenses was apportioned to intrastate and interstate.

534 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating Toll Commercial Expenses Between Intrastate and Interstate.

Eleven Months Ending November 30, 1921.

Account 640-10—General Commercial Administration:
Account 640-30—Local Commercial Administration:

These are supervisory accounts applicable to all commercial activities other than that covered by Account 646—Revenue Accounting.

The toll portion of this expense was, accordingly, apportioned to intrastate and interstate on the basis of the apportionment of the accounts supervised.

Account 642—Advertising:
Account 643—Canvassing:
Account 644—Sub-Licensee Relations:

These accounts were separated on the basis of the originated toll revenue credited to Accounts 510—Message Tolls, 512—Leased Toll Lines, and 515—Minor Rents of Toll Plant. These are expenses primarily incurred for the purpose of securing revenues, and as such

the toll revenues provide a fair basis for the separation between intrastate and interstate.

Account 646—Revenue Accounting.
Account 647—Revenue Collecting:

The toll portion of the expense incident to rendering and collecting bills was separated between intrastate and interstate on the basis of the number of outward intrastate and interstate messages.

Account 648—Pay Station Commissions:

Commission on toll messages charged to this account were separated between intrastate and interstate on the basis of originated revenues.

535 Account 649—Directory Expense:

The toll portion of this expense was separated between intrastate and interstate on the basis of the number of outward intrastate and interstate messages.

Account 650—Other Commercial Expenses:

This minor account covers Miscellaneous Commercial Expenses which cannot be assigned to any of the other specifically defined Commercial accounts.

The toll portion of this expense is apportioned to intrastate and interstate on the basis of the apportionment of all other Commercial accounts except Account 646—Revenue Accounting.

536 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating Toll, General, and Miscellaneous Expenses Between Intrastate and Interstate.

Eleven Months Ending November 30, 1921.

Accounts 660 to 690—General and Miscellaneous Expenses:

The General and Miscellaneous accounts are of a more or less general supervisory nature and pertain to all departments and activities of the Company.

For this reason these accounts were separated between intrastate and interstate on the basis of the apportionment of the Current Maintenance, Traffic and Commercial Expenses, the combined apportionments of these three groups of accounts between the intrastate and interstate services being used as the basis.

Account 316—Miscellaneous Non-Operating Revenues:

This account made up almost exclusively of administration charges on work done for others is associated with the General Expense ac-

counts as a deduction from the expenses, rather than showing the amount as a revenue credit. It should be, and is, separated between the intrastate and interstate services on the same basis as General Expense.

537 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Method Used in Separating Toll Rents, Taxes, and Income Deductions Between Intrastate and Interstate.

Eleven Months Ending November 30, 1921.

Account 304—Uncollectible Operating Revenues—Toll:

Toll portion of charges were apportioned to intrastate and interstate on basis of like apportionment of the originating toll revenues.

Account 305—Taxes Assignable to Operations—Toll:

Toll portion of tax expense apportioned to intrastate and interstate on basis of the separation of the toll property investment between these two services.

Account 331—Rent Deductions for Telephone Offices—Toll:

The toll portion of this expense is separated on the basis of "Toll Equipment Use," the theory being that the toll portion of the Telephone Office rents should follow the separation of the Central Office Equipment.

Account 332—Rent Deduction for Conduit, Poles and Other Supports—Toll:

Account 334—Miscellaneous Rent Deductions:

Since these expenses are incurred either for the purposes of securing pole or other privileges to carry our toll wires or for the purpose of leasing circuits from others to care for our toll business, "Toll Circuit Use" provides a fair basis for separating this expense between intrastate and interstate.

Account 341—Miscellaneous Deductions from Income:

The charges to this account, being all toll and representing Federal Taxes on Uncollectible Toll Messages, were apportioned to intrastate and interstate on the basis of the separation of Toll Service Revenue Accounts 510—Message Tolls, and 512—Leased Toll

538 Line Revenues.

Special Rental Charges:

This charge, being in the nature of a supervisory expense, is apportioned between intrastate and interstate on the same basis as "General and Miscellaneous Expenses" are apportioned.

Account 527—Licensee Revenue—Dr.:

Since the toll portion of this expense is based on Account 510—Message Tolls, the separation of that account (510) between intrastate and interstate provides a fair basis for separating the toll portion of this expense between these two services.

539 McTIERNAN EXHIBIT "B."

Statement of Combined Exchange and Toll Operations in the State of Tennessee, Eleven Months Ending November 30th, 1921, and Statement of Intrastate Operations in the State of Tennessee, Eleven Months Ending November 30th, 1921.

Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Combined Exchange & Toll Operations, Eleven Months Ending November 30th, 1921.

Average Investment:	
Intangible Capital:	
Real Estate—Land	11,210,124.74
Real Estate—Buildings	795,338.20
Exchange Lines and Equipment (Page 2)	11,310,124.74
Toll Lines (Page 2)	2,965,090.63
Office Furniture and Fixtures	82,483.74
Stable and Garage Equipment, Tools and Implements	255,667.73
Materials and Supplies	333,357.35
Cash Working Capital	318,735.92
Total average investment	$16,298,464.78
Operating Revenues:	
Exchange Service Revenues (Page 3)	$3,372,505.95
Toll Service Revenues (Page 3)	1,164,261.71
Miscellaneous Operating Revenues (Page 3)	115,391.02
Total operating revenues	$4,652,158.68

Operating Costs:	
Current Maintenance (Page 4)	$902,348.73
Depreciation of Plant and Equipment (Page 5)	878,824.31
Traffic Expenses (Page 6)	1,386,144.36
Commercial Expenses (Page 7)	479,245.58
General and Miscellaneous Expenses (Page 8)	189,404.45
Uncollectible Operating Revenues	12,355.95
Taxes Assignable to Operations	254,254.16
Rents and Miscellaneous Deductions (Page 9)	68,187.65
Licensee Revenue—Dr. (Telephones, Services and Privileges)	197,084.94
Total expenses and deductions	$4,367,850.13
Net Revenue	284,308.55
Percentage per Annum of Net Revenue to Average Investment	1.903
Investment November 30th, 1921	$16,682,063.00

540 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Combined Exchange and Toll Operations, Eleven Months Ending November 30th, 1921.

Exchange Lines and Equipment.

207-01.	Exchange Right of Way	$144,310.78
221.	Central Office Equipment	2,135,522.58
222.	Other Equipment of Central Offices	68,894.33
231.	Subscribers' Station Equipment—Station Apparatus	817,789.13
232.	Subscribers' Station Equipment—Station Installations	331,474.25
233.	Subscribers' Station Equipment—Interior Block Wires	66,913.40
234.	Private Branch Exchanges	112,843.11
235.	Booths and Special Fittings	31,376.51
241.	Exchange Pole Lines	2,118,703.25
242.	Exchange Aerial Cable	2,437,347.95
243.	Exchange Aerial Wire	1,078,240.57
244.	Exchange Underground Conduit	904,241.47
245.	Exchange Underground Cable	967,564.54
268.	Interest During Construction	99,902.87
	Total exchange lines and equipment	$11,310,124.74

Toll Lines.

207-02.	Toll Right of Way	$77,888.31
251.	Toll Pole Lines	1,614,102.78
252.	Toll Aerial Cable	8,642.41
253.	Toll Aerial Wire	1,226,535.88
254.	Toll Underground Conduit	.....
255.	Toll Underground Cable	32,545.67
256.	Toll Submarine Cable	1,302.46
268-T.	Interest During Construction	4,073.12
	Total Toll Lines	$2,965,090.63

541 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Combined Exchange and Toll Operations, Eleven Months Ending November 30th, 1921.

Operating Revenues.

Exchange Service Revenues.

500.	Subscribers' Station Revenue	$3,160,453.24
501.	Public Pay Station Revenue	110,240.15
503.	Service Stations	75,483.01
504.	Private Exchange Lines	2,618.44
505.	Minor Rents of Exchange Plant	23,711.11
506.	Other Exchange Revenues	.....
	Total exchange service revenues...	$3,372,505.95

Toll Service Revenues.

510.	Message Tolls	$1,134,999.99
512.	Leased Toll Lines	7,511.89
513.	Telegraph Tolls	.....
514.	Telegraph Service on Toll Lines	14,998.62
515.	Minor Rents of Toll Plant	6,751.21
516.	Other Toll Revenues	.....
	Total toll service revenues	$1,164,261.71

Miscellaneous Operating Revenues.

520.	Messenger Service	$190.23
521.	Telegraph Commissions	12,610.94
522.	Other Telephone Service Charges	.....
523.	Advertising and Directory	55,483.49
524.	Rents from Other Operating Property	33,269.00
525.	Other Miscellaneous Revenues	13,837.36
	Total miscellaneous operating revenues	$115,391.02
	Total operating revenues	$4,652,158.68

542 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Combined Exchange and Toll Operations, Eleven Months Ending November 30th, 1921.

Current Maintenance.

601.	Supervision of Maintenance	$88,694.70
602-01.	Repairs of Pole Lines	76,982.87
602-02.	Repairs of Aerial Cable	105,064.84
602-03.	Repairs of Aerial Wire	241,670.15
602-09.	Repairs of Right of Way	.....
603-04.	Repairs of Underground Conduit	1,211.20
603-05.	Repairs of Underground Cable	10,915.12
603-06.	Repairs of Submarine Cable	1.63
603-09.	Repairs of Underground Right of Way	.....
604.	Repairs of Central Office Equipment	158,627.79
605.	Repairs of Station Equipment	112,167.01
606.	Repairs of Buildings and Grounds	9,749.61
610.	Other Maintenance Expenses	2,211.98
	Total ordinary repairs	$807,296.90
607.	Station Removals and Changes	95,051.83
	Total current maintenance	$902,348.73

548 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Combined Exchange and Toll Operations, Eleven Months Ending November 30th, 1921.

Depreciation of Plant and Equipment.

	Class of property (from pages 1 and 2).	Average investment.	Engineer's annual rates of depreciation, %.	Annual depreciation.
211	Real Estate—Land.....	$237,666.47	....	.....
212	Real Estate—Buildings...	795,338.20	2.5	$19,883.46
207-01	Exchange Right-of-Way...	144,310.78	....	.....
221	Central Office Equipmt....	2,135,522.58	7.	149,486.58
222	Other Equipment of Central Offices.....	68,894.33	10.	6,889.43
231	Subscribers Station Equipment, Station Apparatus.	817,789.13	8.	65,423.13
232	Subscribers Station Equipment, Station Installations	331,474.25	....	.....
233	Subscribers Station Equipment, Interior Block Wires	66,913.40	....	.....
234	Private Branch Exchanges.	112,843.11	8.	9,027.45
235	Booths and Special Fittings	31,376.51	8.	2,510.12
241	Exchange Pole Lines.....	2,118,703.25	10.	211,870.33
242	Exchange Aerial Cable....	2,437,347.95	6.8	165,739.66
243	Exchange Aerial Wire....	1,073,240.57	10.9	116,983.23
244	Exchange Underground Conduit	904,241.47	2.6	23,510.28
245	Exchange Underground Cable	967,564.54	3.5	33,864.76
208	Exchange Interest During Construction	99,902.87	....	.....
207-02	Toll Right-of-Way.....	77,888.31	....	.....
251	Toll Pole Lines.....	1,614,102.78	6.3	101,688.48
252	Toll Aerial Cable.....	8,642.41	6.8	587.68
253	Toll Aerial Wire.....	1,226,535.88	3.4	41,702.22
255	Toll Underground Cable...	32,545.67	3.5	1,139.10
256	Toll Submarine Cable.....	1,302.46	12.5	162.80
208-T	Toll Interest During Construction	4,073.12	....	.....
261	Furniture & Fixtures.....	82,483.74	10.	8,248.37
	Total	$15,390,703.78		$958,717.08

Amount of Depreciation is calculated on an annual basis; reduced to a correct figure for the eleven month period the amount is..... $878,824.31

Composite Annual Depreciation Rate on Plant in Service plus Furniture and Fixtures is..... 6.229%

Annual Depreciation $958,717.08 ÷ Average Investment $15,390,703.78 = 6.229%

544 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Combined Exchange and Toll Operations Eleven Months Ending November 30th, 1921.

Traffic Expenses.

Account.		
621	Traffic Superintendence	$93,457.37
622	Service Inspection	8,877.31
623	Operating Clerical Wages	16,729.73
624	Operators' Wages	1,020,207.70
626	Rest and Lunch Rooms	21,264.25
627	Operators' Schooling	37,478.46
628	Transmission Power	41,200.90
629	Central Office Stationery and Printing	5,788.01
630	Messenger Service	.....
631	Miscellaneous Central Office Expenses	73,240.73
632	Pay Station Expense	15,953.27
633	Other Traffic Expenses	38,760.49
635	Leased Line Operating Expense	13,186.14
	Total Traffic Expenses	$1,386,144.36

545 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Combined Exchange and Toll Operations, Eleven Months Ending November 30th, 1921.

Commercial Expenses.

640–10	General Commercial Administration	$43,497.07
640–30	Local Commercial Administration	142,021.19
642	Advertising	22,868.61
643	Canvassing	36.85
644	Sub-Licensing Relations	1,417.54
646	Revenue Accounting	72,349.80
647	Revenue Collecting	118,976.07
648	Pay Station Commissions	29,422.63
649	Directory Expenses	48,093.99
650	Other Commercial Expenses	561.83
	Total Commercial Expenses	$479,245.58

546 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Combined Exchange and Toll Operations, Eleven Months Ending November 30th, 1921.

General and Miscellaneous Expenses.

660	General Office Salaries	$53,386.76
663	General Office Supplies and Expenses	12,344.20
667	General Law Expenses	27,693.09
668	Insurance	19,886.39
669	Accidents and Damages	3,133.80
670	Law Expenses Connected with Damages	2,623.29
672	Relief Department and Pensions	44,651.87
673	Telephone Franchise Requirements	13,315.41
674	Amortization of Franchises and Patents	.....
675	Other General Expenses	37,754.97
676	Less Franchise Requirements—Credit	13,126.03
690	Less Charged Construction—Credit	11,097.60
316	Less Miscellaneous Non-Operating Revenues	1,161.70
	Total General and Miscellaneous	$189,404.45

547 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Combined Exchange and Toll Operations, Eleven Months Ending November 30th, 1921.

Rents and Miscellaneous Deductions.

331	Rent Deductions for Telephone Offices	$21,377.53
332	Rent Deductions for Conduit, Pole and Other Supports	30,273.04
334	Miscellaneous Rent Deductions	10,081.29
341	Miscellaneous Deductions from Income	533.09
	Special Rental Charge to cover proper proportion of Investment at General Headquarters used for general supervisory purposes	5,922.70
	Total Rents and Miscellaneous Deductions from Income	$68,187.65

548 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Intrastate Operations Eleven Months Ending November 30th, 1921.

	Exchange, intrastate.	Toll, intrastate.	Total, intrastate.
Average Investment:			
Intangible Capital:			
Real Estate—Land	$202,690.76	$20,771.61	$223,462.37
Real Estate—Bldgs	670,960.82	73,610.22	744,571.04
Lines and Equipment (Page 2)	11,083,273.75	2,249,177.83	13,332,451.58
Office Furniture and Fixtures	66,677.05	9,910.79	76,587.84
Stable and Garage Equipment, Tools and Implements	153,400.64	72,302.83	225,703.47
Materials & Supplies	258,691.97	52,206.03	310,898.00
Cash Working Capital	247,345.45	49,916.22	297,261.67
Total Average Investment	$12,683,040.44	$2,527,895.53	$15,210,935.97
Operating Revenues:			
Exchange Service Revenues (Page 3)	$3,374,712.23		$3,374,712.23
Toll Service Revenues (Page 3)		$720,361.06	720,361.06
Miscellaneous Operating Revenues (Page 3)	112,069.25	2,279.07	114,348.32
Total Operating Revenues	$3,486,781.48	$722,640.13	$4,209,421.61
Operating Costs:			
Current Maintenance (Page 4)	$731,878.35	$118,004.80	$849,883.15
Depreciation of Plant and Equipment (Page 5)	721,571.91	109,591.17	831,163.08
Traffic Expenses (Page 6)	1,113,826.24	164,943.49	1,278,769.73
Commerc'l Expenses (Page 7)	321,592.74	106,747.26	428,340.00
General and Miscellaneous Expenses (Page 8)	148,315.05	26,667.84	174,982.89
Uncollectible Operating Revenues	5,705.46	4,164.54	9,870.00
Taxes Assignable to Operations	194,158.69	42,018.75	236,177.44
Rents and Miscellaneous Deductions (Page 9)	29,147.66	27,289.00	56,436.66
Licensee Revenue — Dr. (Telephones, Services & Privileges)	146,522.80	31,823.81	178,346.61
Total Expenses & Deductions	$3,412,718.90	$631,250.66	$4,043,969.56
Net Revenue—Intrastate	$74,062.58	$91,389.47	$165,452.05
Percentage per Annum of Intrastate Net Revenue to Average Intrastate Investment	0.687	3.944	1.19

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550 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Intrastate Operations Eleven Months Ending November 30th, 1921.

Lines and Equipment.

		Exchange, intrastate.	Toll, intrastate.	Total, intrastate.
207-01	Exchange Right-of-Way.	$144,310.78	.....	$144,310.78
221	Central Office Equipment	1,892,782.00	$146,088.61	2,038,870.61
222	Other Equipment of Central Offices.....	55,242.99	8,559.39	63,802.38
231	Subscribers' Station Equipment, Station Apparatus	815,209.01	1,599.67	816,808.68
232	Subscribers' Station Equipment, Station Installations	330,385.69	674.91	331,060.60
233	Subscribers' Station Equipment, Interior Block Wires.....	66,913.40	.....	66,913.40
234	Private Branch Exchanges	112,843.11	.....	112,843.11
235	Booths and Special Fittings	31,376.51	.....	31,376.51
241	Exchange Pole Lines....	2,170,664.97	.....	2,170,664.97
242	Exchange Aerial Cable..	2,433,007.03	.....	2,433,007.03
243	Exchange Aerial Wire..	1,073,678.77	.....	1,073,678.77
244	Exchange Underground Conduit	902,724.15	.....	902,724.15
245	Exchange Underground Cable	954,232.47	.....	954,232.47
269	Interest during Construction	99,902.87	.....	99,902.87
207-02	Toll Right-of-Way.....	.....	55,067.04	55,067.04
251	Toll Pole Lines.....	.....	1,104,433.74	1,104,433.74
252	Toll Aerial Cable.....	.....	9,179.21	9,179.21
253	Toll Aerial Wire.....	.....	886,282.71	886,282.71
254	Toll Underground Conduit	.....	1,072.75	1,072.75
255	Toll Underground Cable.	.....	32,435.56	32,435.56
256	Toll Submarine Cable...	.....	920.84	920.84
269-T	Interest During Construction	.....	2,863.40	2,863.40
	& Equipment..... Total Intrastate Lines	$11,083,273.75	$2,249,177.83	$13,332,451.58

551 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Intrastate Operations Eleven Months Ending November 30th, 1921.

Operating Revenues.

Exchange Service Revenues.

	Exchange, intrastate.	Toll, intrastate.	Total, intrastate.
500 Subscribers' Station Revenues	$3,162,659.52	.....	$3,162,659.52
501 Public Pay Station Revenues	110,240.15	.....	110,240.15
503 Service Stations	75,483.01	.....	75,483.01
504 Private Exchange Lines	2,618.44	.....	2,618.44
505 Minor Rents of Exchange Plant	23,711.11	.....	23,711.11
506 Other Exchange Revenues	.....	.....	.....
Total Exchange Service Revenues	$3,374,712.23	.....	$3,374,712.23

Toll Service Revenues.

510 Message Tolls	.....	$714,394.89	$714,394.89
512 Leased Toll Lines	.....	510.40	510.40
513 Telegraph Tolls	.....	.....	.....
514 Telegraph Service on Toll Lines	.....	682.66	682.66
515 Minor Rents of Toll Plant	.....	4,773.11	4,773.11
516 Other Toll Revenues	.....	.....	.....
Total Toll Service Revenues	.....	$720,361.06	$720,361.06

Miscellaneous Operating Revenues.

520 Messenger Service	.....	$130.52	$130.52
521 Telegraph Commissions	$12,610.94	.....	12,610.94
522 Other Telephone Service Charges	.....	.....	.....
523 Advertising and Directory	52,351.95	2,148.55	54,500.50
524 Rents from Other Operating Property	33,269.00	.....	33,269.00
525 Other Miscellaneous Revenues	13,837.36	.....	13,837.36
Total Miscellaneous Operating Revenues	$112,069.25	$2,279.07	$114,348.32
Total Operating Intrastate Revenues	$3,486,781.48	$722,640.13	$4,209,421.61

552 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Intrastate Operations Eleven Months Ending November 30th, 1921.

Current Maintenance.

		Exchange, intrastate.	Toll, intrastate.	Total, intrastate.
601	Supervision of Maintenance	$63,008.93	$17,774.55	$80,783.48
602-01	Repairs of Pole Lines	35,255.18	29,501.48	64,756.66
602-02	Repairs of Aerial Cable.	104,507.66	393.93	104,901.59
602-03	Repairs of Aerial Wire.	160,517.26	57,375.09	217,892.35
602-09	Repairs of Right-of-Way	.....	.....	.....
603-04	Repairs of Underground Conduit	1,209.17	1.43	1,210.60
603-05	Repairs of Underground Cable	10,573.96	241.20	10,815.16
603-06	Repairs of Submarine Cable	.....	1.15	1.15
603-09	Repairs of Underground Right-of-Way	.....	.....	.....
604	Repairs of Central Office Equipment	140,233.31	11,091.74	151,325.05
605	Repairs of Station Equipment	111,224.81	584.16	111,808.97
606	Repairs of Buildings and Grounds	8,619.04	681.72	9,300.76
610	Other Maintenance Expenses	1,839.93	257.46	2,097.39
607	Total Ordinary Repairs. Station Removals & Chngs.	$636,989.25	$117,903.91	$754,893.16
		94,889.10	110.89	94,989.99
	Total Intrastate Current Maintenance	$731,878.35	$118,004.80	$849,883.15

553 Cumberland Telephone & Telegraph Company, Incorporated, State of Tennessee.

Statement of Intrastate Operations, Eleven Months Ending November 30th, 1921.

Depreciation of Plant and Equipment.

The method for determining Depreciation of Plant and Equipment outlined on Page 5, "Combined Exchange and Toll Operations," was followed in ascertaining the amount of Intrastate Depreciation, proper consideration being given to the readjustment of the Plant Accounts between the Exchange and Toll Services on the basis of use; thus the Depreciation on Exchange items of Plant used for Toll purposes was based on the Exchange rates of Depreciation, while items of Toll Plant transferred to Exchange use carried with them the correct Toll Depreciation allowance.

Intrastate Exchange Depreciation	$721,571.91
Intrastate Toll Depreciation	109,591.17
Total Intrastate Depreciation	$831,163.08

554 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Intrastate Operations Eleven Months Ending November 30th, 1921.

Traffic Expenses.

Account.	Exchange, intrastate.	Toll, intrastate.	Total, intrastate.
621 Traffic Superintendence	$77,279.90	$10,256.52	$87,536.42
622 Service Inspection	7,340.65	974.24	8,314.89
623 Operating Clerical Wages	13,833.81	1,836.01	15,669.82
624 Operators' Wages	843,609.75	111,963.10	955,572.85
626 Rest and Lunch Rooms	17,583.41	2,333.65	19,917.06
627 Operators' Schooling	30,990.94	4,113.09	35,104.03
628 Transmission Power	34,069.02	4,471.69	38,540.71
629 Central Office Stationery and Printing	4,688.33	697.20	5,385.53
630 Messenger Service	.....	.....	.....
631 Miscellaneous Central Office Equipment	60,562.76	8,037.83	68,600.59
632 Pay Station Expense	13,191.76	1,750.80	14,942.56
633 Other Traffic Expenses	10,675.91	17,805.62	28,481.53
635 Leased Line Operating Expense	.....	703.74	703.74
Total Intrastate Traffic Expenses	$1,113,826.24	$164,943.49	$1,278,769.73

555 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Intrastate Operations Eleven Months Ending November 30th, 1921.

Commercial Expenses.

Account.	Exchange, intrastate.	Toll, intrastate.	Total, intrastate.
640-10 General Commercial Administration	$31,716.76	$7,930.50	$39,647.26
640-30 Local Commercial Administration	120,126.35	14,739.61	134,865.96
642 Advertising	17,011.04	3,668.01	20,679.05
643 Canvassing	27.41	5.91	33.32
644 Sub-Licensee Relations	.....	887.66	887.66
646 Revenue Accounting	24,805.57	32,558.35	57,453.92
647 Revenue Collecting	61,712.89	39,288.27	101,001.16
648 Pay Station Commissions	20,313.53	5,704.12	26,017.65
649 Directory Expenses	45,379.52	1,862.40	47,241.92
650 Other Commercial Expenses	409.67	102.43	512.10
Total Intrastate Commercial Expenses	$321,502.74	$106,747.26	$428,249.00

General and Miscellaneous Expenses.

	Account.	Exchange, intrastate.	Toll, intrastate.	Total, intrastate.
660	General Office Salaries..	$41,805.04	$7,516.76	$49,321.80
663	General Office Supplies and Expenses.....	9,666.25	1,738.04	11,404.29
667	General Law Expenses..	21,685.35	3,899.14	25,584.49
668	Insurance	15,572.24	2,799.97	18,372.21
669	Accidents and Damages.	2,453.95	441.24	2,895.19
670	Law Expenses connected with Damages.....	2,054.19	369.36	2,423.55
672	Relief Department and Pensions	34,965.09	6,286.91	41,252.00
673	Telephone Franchise Requirements	10,426.77	1,874.79	12,301.56
675	Other General Expenses.	29,564.41	4,315.84	34,880.25
676	Less Franchise Requirements—Cr.	10,278.47	1,848.12	12,126.59
690	Less Charged Construction—Cr.	8,690.00	1,562.52	10,252.61
316	Less Miscellaneous Non-Operating Revenues...	909.68	163.57	1,073.25
	Total Intrastate General and Miscellaneous Expenses.....	$148,315.05	$26,667.84	$174,982.89

556 Cumberland Telephone & Telegraph Company, Incorporated.

State of Tennessee.

Statement of Intrastate Operations Eleven Months Ending November 30th, 1921.

Rents and Miscellaneous Deductions.

	Account.	Exchange, intrastate.	Toll, intrastate.	Total, intrastate.
331	Rent Deductions for Telephone Offices.....	$18,946.90	$1,524.01	$20,470.91
332	Rent Deductions for Conduit, Poles & Other Supports	3,478.63	18,943.65	22,422.28
334	Miscellaneous Rent Deductions	2,084.06	5,654.04	7,738.10
341	Miscellaneous Deductions from Income.....	.....	333.55	333.55
	Special Rental Charge to cover Proper Proportion of Investment at General Headquarters Used for General Supervisory Purposes..	4,638.07	833.75	5,471.82
	Total Intrastate Rents & Miscellaneous Deductions from Income...	$29,147.66	$27,289.00	$56,436.66

557 UNITED STATES OF AMERICA,
Middle District of Tennessee,
Nashville Division:

I, H. M. Doak, Clerk of the District Court of the United States in and for the Middle District of Tennessee, do hereby certify that the foregoing is a true full and complete copy of affidavits of A. B. Crunden and J. J. McTiernan, filed on behalf of the plaintiff in the cause of the Cumberland Telephone & Telegraph Company v. Railroad and Public Utilities Commission of the State of Tennessee, et al., together with all exhibits filed therewith, as the same appear and remain on file in my office in Nashville; and which are contained in the printed volume of affidavits filed on behalf of said plaintiff, beginning at page 64 and ending on page 176, both inclusive.

Witness my hand and seal at Nashville, this the 19th day of June, and of the Independence of the United States the 146th year.

[SEAL.] (Signed) H. M. DOAK,
Clerk,
By E. L. DOAK,
Deputy Clerk.

558 EXHIBIT "C" TO AFFIDAVIT OF A. H. ROBERTS.

Filed June 23, 1922.

Tuesday Morning, July 21, 1921.

ALLAN B. CRUNDEN, called on behalf of the Petitioner, being first duly sworn, testified as follows:

Direct examination.

By Mr. Chipley:

Q. Mr. Crunden, your name and residence, please?
A. Allan B. Crunden, New York, N. Y.
Q. What is your profession, Mr. Crunden?
A. Accountant and Statistician.
Q. With what company are you now connected?
A. American Telephone & Telegraph Company.
Q. In what capacity?
A. Assistant Chief Statistician.
Q. Have you prepared statements separating the exchange and toll and the intra and interstate property and similar separation of the expenses and operations of the Cumberland Company in the State of Tennessee, for the year 1920?
A. I have ascertained the intrastate exchange investment, revenue and expenses, the intrastate toll revenues and expenses and the total intrastate revenues and expenses and investment, or the product of the first two.

Q. This was made at your request?
A. Yes sir.
Q. Now, have you, on former occasions, made similar, prepared similar statements for rate hearings before the State Commissions?
A. I have made separations between exchange and toll in very numerous cases. For the years 1911 to 1918, inclusive, as General Bookkeeper and Auditor of Disbursements of the Wisconsin Telephone Company I prepared the annual reports for the individual exchanges and for the toll system for that Company to the
559 Wisconsin Railroad Commission, and I prepared separations for use in rate cases and testified before the Commission. As Auditor of Disbursements of the Michigan State Telephone Company I made the same sort of separations and testified in rate cases involving more than fifty individual exchanges. The methods which were used in Wisconsin were the methods sanctioned by the Wisconsin Railroad Commission and those which I used in Michigan were practically the same; just a few slight differences, which were approved by the Michigan Railroad Commission. Then, at various times, as General Auditor of the Central Union Telephone Company, I prepared statements of separations for a great many rate cases in Ohio, numbering more than fifty and I testified before the State Public Utilities Commission of Ohio regarding such separations, for the cities, among others, of Columbus, Akron, Springfield, Youngstown, Toledo, and so on. So I have had as much experience as any one in the United States, I suppose, with reference to telephone separations to areas less than the company as a whole.
Q. Those statements were accepted by those Commissions which you refer to?

Mr. Roberts: We object to that, because it is immaterial as to what any of the other Commissions did. He has to qualify here before this Commission.

Mr. Chipley:

Q. And your statement will show the separation of exchange and toll and the interstate and intrastate business?
A. Yes.
Q. In the State of Tennessee?
A. Yes. The separation of investment and revenues and expenses between intrastate business have been made in a lesser number of cases than the separations of exchange and toll. They have been made repeatedly. Probably the principal case of separation
560 of interstate and intrastate business was one made under the direction and supervision of the Minnesota Railroad Commission last year. That is the classic illustration of such separations and the method I think is sound and I have adhered quite closely to it.
Q. Mr. Crunden, these statements which you have prepared, will show the net earnings of the company from its intrastate business and its intrastate toll business, separated?
A. Yes sir.

Q. And the earnings of the company of its exchange and toll business exclusively within the State of Tennessee.

A. Yes, sir, by adding the intrastate exchange to the intrastate toll business, of course you will get the total intrastate business.

Q. And these statements will show what that net return is if measured by the investment in the property used exclusively for intrastate exchange and intrastate toll, and the whole intrastate business in the State of Tennessee?

A. Yes, sir, and I have gone further than that. I have made a separation of the intrastate business I mean, that is by exchanges, that is to say I have a statement for a given exchange from which all the toll revenues and exchanges have been separated so it represents the exchange business only.

Q. Then you have statements that will show the same results as measured by the valuations of property shown by the appraisals of Messrs. Yundt and Sloan?

A. Yes sir.

Q. Now, Mr. Crunden, will you be good enough to take your first statement and explain upon what basis it is prepared, and submit the same in evidence?

A. Yes sir.

Chairman Enloe: The Commission would like to know the basis upon which the tolls and expenses are divided, and also the basis for the division of the interstate and intrastate business, and who fixes that basis.

561 Mr. Chipley: That is what Mr. Crunden is going to testify to; he did that work.

Chairman Enloe: Did the management furnish him the basis upon which this division is to be made, or did he furnish that basis?

Mr. Chipley: I think it will develop that he took the actual figures shown by the books of the company.

Chairman Enloe: Then they furnished the figures for the basis of the distribution and he used it?

Mr. Chipley: The record will show those figures.

Mr. Crunden: Not, as I understand the Chairman, Mr. Chipley. I mean to say you mean, I take it Mr. Chairman, as to whether the methods of apportionment were furnished by the company.

Chairman Enloe: Yes.

A. No, sir, they were my methods and based on my experience in making such apportionments before the Wisconsin, Michigan, Ohio and other Commissions, and on the methods of separating intrastate and interstate, used by the Minnesota Commission.

Chairman Enloe: The Company has its investment in property used for exchange, or rather for interstate and intrastate business. A certain portion of its property is allotted to Tennessee?

A. Yes, sir.

Q. And the Company furnished the figures for that allocation, did it not?

A. Yes sir.

562 Q. And also the division of tolls.

A. Do you want me to answer the question regarding the allocation before we put in the exhibits?

Chairman Enloe: No, I want to find out who prescribed the allocations.

A. The method of separating the investment between exchange and toll was made by myself. The actual separation, that is, the work on it was done by the Chief Engineer.

Q. Of your company?

A. Of the Cumberland Company. I can tell you the way to divide it, or the way it should be divided and the Cumberland Company placed at my disposal a large number of persons, engineers and accountants who worked under my direction, and they made the actual separation. Not all of it. I worked on the same myself largely and brought with me two expert accountants from New York, who worked under my directions and supervision, and they got in on the details quite a lot, too. But it is a job of enormous proportions, and if started on by one man, by the time he finished, the property would have changed.

Chairman Enloe: Some one must determine how the tolls are to be divided between the Cumberland Company and the American Telephone & Telegraph Company.

A. Yes sir.

Q. Who determines that?

A. That is determined by the contract between the two companies. The way that is done is quite similar to the way in which the railroads apportion their through line business. That is to say, supposing there was a railroad haul from, say St. Louis to Detroit. You would first have to take out the arbitrary across the bridge at St. Louis to pay the bridge company for its toll, and then pro rate the business between St. Louis and Detroit, to the different companies, they would each haul it, take their share on a mileage basis

563 or some other basis that was fair.

The apportionment between the American Telephone & Telegraph Company and the Cumberland Telephone and Telegraph Company of tolls is made in this way. The local company does the originating and terminating operating, receives a commission, as it is called, or an allowance to cover the expense. Then the balance is prorated between the two companies on the mileage basis.

Chairman Enloe: The American Company divides that question in proportion to the division of tolls that is had between the Cumberland Company and the American Company then?

Mr. Crunden: Do you mean that the basis is dictated by the American Company as to whether mileage haul should be used, or some other method?

Chairman Enloe: Yes sir.

Mr. Crunden: I couldn't say as to that. I found that method in use when I entered the business in 1910, and it has always been in use, as far as I know.

Mr. Chipley: Mr. Hoxsey testified on that point in his first testimony, and he said that all business which went partly over the lines of the Cumberland Company and partly over the lines of the American Company, that it was prorated in accordance with the mileage of the lines owned by the two companies. Thus, if the line was one hundred miles and fifty miles was owned by the Cumberland Company and fifty miles was owned by the American Company, the Cumberland Company received one-half of the total message, plus the commission which was paid by the American Company to the Cumberland Company.

Now, applying that, so that we can visualize it a little better, applying that or comparing that with the practice of the railroad
564 companies, one railroad sells a ticket to a distant point which is reached partly by its own lines and partly by the lines of a connecting company. As I understand it, they take their prorata share of the total rate, measured by the respective mileage of the two roads, but the second road doesn't give the originating road any commission. So that in our instance we not only get our prorata, but we get this commission. Now, for some reason or other, there seems to be an impression that the American Company gets a lion's share of these tolls. The American Company never gets, has never gotten, anything except that part of the toll charges which corresponds to its part of the mileage over which the message is transmitted, and it pays to the Cumberland Company this commission for originating that business. Now, in cases where the toll message is originated at an exchange of the Cumberland Company, into which exchange the American Company's lines are connected, and the message is carried over the toll lines of the American Company, the American Company, of course gets the whole line haul, takes the whole line haul and gets that rate.

Chairman Enloe: It pays the commission?

Mr. Chipley: But it pays to the Cumberland Company a commission for putting the Cumberland Company's subscriber in connection with the line of the American Company. Now, that never has been any different.

Com'r Hannah: Mr. Chipley, if the message originates on the American Company's line instead of on the Cumberland Company's line, do they get in proportion to their mileage, or are they paid a commission at their end of the line?

Mr. Chipley: The commission is at the originating point. There is no commission paid at this time separately for a message
565 which originates elsewhere and terminates at an exchange of the Cumberland Company, but the amount of that commission is figured to include that terminating switching service, and I have intended, in view of the statements made since Mr. Hoxsey testified——

Com'r Hannah (interrupting): Under that situation, how would the division be made?

Mr. Chipley: Under that situation, as I said, Mr. Commissioner, there is no specific payment for a message terminating, but the originating message commission has been fixed sufficiently large to

include the services rendered in connection with a message which terminates in an exchange of the Cumberland Telephone Company.

The Witness (Mr. Crunden): That is done purely for convenience in accounting.

Mr. Chipley: But that is a fact?

Mr. Crunden: Yes, that is a fact.

Mr. Chipley: Now, Mr. Hoxsey also testified that the payment which we get for that switching service is a profitable business, a most profitable part of our business.

You go through the same methods and the same process to put a subscriber of the Cumberland Company upon the lines of the American Company as you do to give a subscriber of the Cumberland Company connection with another subscriber of the Cumberland Company's exchange. If we could get paid for every message which we handle in the State of Tennessee, local exchange message which we handle in the State of Tennessee, at the same rate that we are paid for this switching service for connecting the subscriber to the lines of the American Company, we wouldn't
566 be here asking for an increase in rates, but we would be here trying to keep them from being reduced.

Gov. Roberts: May I ask a question?

Mr. Chipley: Yes sir.

Gov. Roberts: Now, you pay to the American Company exactly the same and no more on all these toll services, as was paid in 1914, in prewar times?

Mr. Hoxsey: May I answer that?

Mr. Chipley: Yes sir.

Mr. Hoxsey: The American Company at this time pays us a commission that is exactly double that in 1914. It is 25% not to exceed thirty cents on any one message originating at a subscriber's station where the Cumberland Company does the operating for the American Company. It is 25% not to exceed 12 cents on any message where the American Company does its own operating. Thus in the case where when you call long distance you get an employe of the American Company, paid by the American Company and not an employe of the Cumberland Company, then the percentage is the same, but the limitation is 12 cents on the message instead of 30 cents.

Mr. Chipley: You are paid 25% but are limited to 12 cents on any one message.

Mr. Hoxsey: Yes sir, that is what I meant to say.

Mr. Chipley: You did say it, but I just wanted to emphasize it.

567 Mr. Hoxsey: In case the message originates from a pay station, both the percentage and the limitation are doubled in either case.

Com'r Hannah: Mr. Hoxsey, while you are on your feet, let me get it absolutely clear. I understand where a message originates on the Cumberland Company and is switched to the American Company that you pay the Cumber-and Company a commission for that message, and then the rate is divided as per mileage, the toll rate, according to the miles either line carries it. That is where a mes-

sage originates with the Cumberland Company. Now, where messages originate with the American Company, either in the State or outside the State, and come in and go into the Cumberland Company's exchanges, or is switched on their wires, what does the Cumberland Company get out of that?

Mr. Hoxsey: In the first place, sir, there is no intrastate business that originates with the American Company because the American Company has no exchanges in Tennessee.

Chairman Enloe: How about Memphis?

Mr. Hoxsey: It is an operating station but the exchange is ours. That originates at our point and we get the commission.

Chairman Enloe: There is no connection then; the American Company doesn't have an independent connection then, say for instance between Memphis and Harriman?

Mr. Hoxsey: There is some intrastate business, as I testified on my first appearance, there is approximately nine thousand
568 dollars, a little less than nine thousand dollars of intrastate business carried over the lines of the American Company.

Chairman Enloe: And the American Telephone & Telegraph Company does that much intrastate business in Tennessee?

Mr. Hoxsey: Yes.

Now, sir, on that message which originates at Memphis and goes to Harriman, if that be one of the lines, we get the commission on that message just the same.

Now, answering more specifically your other question——

Com'r Hannah (interrupting): Take a message coming from New York to Nashville?

Mr. Hoxsey: We get no commission on that, and the American Company's lines enter directly into Nashville. The message is carried entirely over their line and we get no inward commission, but the originating commission is so calculated as to cover both inward and outward business. As an illustration, to make the matter entirely clear, I may say that with many of our smaller connecting companies, in the days when inward tickets used to be made, we gave them a commission of fifteen per cent on the originating business and of three cents per message on terminating business.

After working on that for a few months, we found the difficulties of accouning so great that we made special studies and we found the 20 or 21 or 22%, or whatever it may be on the originating business amounted to as much as the originating and terminating commission combined, and so the basis of settlement was always on the originating business. The originating business served simply as a measure upon which to base a commission that, according to studies which I have made, fully and largely compensates for the work of handling the messages, both inward and outward.

569 Commissioner Hanna: Your toll on the messages going out, originating in your company, was absorbed, that is the idea, what you should get, messages coming in? Now, wouldn't that be predicated as a matter of practical mathematics on the question of how many messages went in and how many messages came out?

Mr. Hoxsey: As a matter of fact, if into any one day there would be a great excess of incoming messages, a material excess of incoming messages, over outgoing messages, that would tend to make that method of settlement unfavorable relative to us. If the reverse were true, it would tend to make it favorable relatively to us. But there could be a very large excess of inward messages over outward messages, and still not absorb the profit which we make out of the transaction. Of course, it would be quite possible, theoretically, for there to be a large enough excess number of inward messages to do so, but as a rule in all studies that I have made for states, the number of outward messages corresponds very closely with the number of inward messages, the two very nearly offset each other, there is a very little difference between them. I have never seen a case of a large discrepancy.

Mr. Chipley: I am glad that came up, because I want to make it perfectly clear that we get every dollar, every mile of message that we haul over our line. The American Company gets only that that it hauls over its line, and they pay this commission to us in addition. Take the case where we have a message that originates on our line and goes partly on the lines of the American Company. Now, we have to originate that in our own exchange, do the same switching and everything to get it on ours and earn out part of the line haul, yet when we go to settle we get our proportion of the line haul and we are paid for that switching service. So the joint messages are really more profitable to us, than the other.

570 Mr. Hoxsey: May I make one additional statement, that the matter may be clear at this time, because I forgot to bring it out before, and it is an appropriate place to do so? There are some points at which comparatively little business originates, but because they serve as crossing points of lines, there is a large switching business. I do not happen to know whether there are any such in Tennessee or not. Wherever that is the case we call the matter to the attention of the American Company and study the extra expense involved from switching neither originating nor terminating, but simply switching the messages upon which there is no revenue, that is determined and we get a special compensation for that particular switching service at that point, that covers its cost and a little more.

Commissioner Hannah: Does the question of line rentals cut any figure in this matter of rates?

Mr. Hoxsey: No, sir, if I understand your question, not at all. There are no line rentals, except, if you mean it, this: There are places where the American Company will have a toll line and we have no poles there; we want to string a certain wire for local business, it is cheaper for us to pay contract rentals to the American Company, so much per pin per annum, than to build a line ourselves. In the same way, they go on our poles and they pay us the same cont-act rate that we pay them. That is the only question of the use of each other's lines.

Commissioner Hannah: I meant rather more in the division of revenues?

Mr. Hoxsey: No, sir, there is no rental.

571 Mr. Roberts: Mr. Chipley, if I understand from your statement, as supplemented by Mr. Hoxsey, on whom you called, that the commission was 12½% in 1914 whereas it is 25% now?

Mr. Chipley: So I understand.

Mr. Hoxsey: Wait a moment, that reminds me of something. The termination, I mean the limitation, was 20 cents instead of 15 cents. I said it was double. It was 20 cents instead of 30 cents, raised from 20 cents to 30 cents.

Mr. Roberts: When was that change made, Mr. Chipley, from 12½% to 20% and from 25 to 30?

Mr. Hoxsey: On January 1, 1918.

Mr. Chipley: On whose suggestion?

Mr. Hoxsey: On the suggesting of the American Company.

Mr. Roberts: I don't think it is material which pocket is came out of; the same person.

Mr. Chipley (resuming examination of Mr. Crunden):

Q. This statement that you have prepared will be filed as Crunden's Exhibit No. 1?

A. Yes sir.

(Statement marked "Crunden Exhibit 1.")

Q. Now, Mr. Crunden, just explain the basis and methods upon which you made this separation.

A. The first statement in the binder at the left hand end of the top, shows average investment. The term "average" there
572 is used as representing the amount at the beginning of the year and the amount at the end of the year added together and divided by two. The investment was arrived at in the following way: The books of the Cumberland Company show the investment for the State of Tennessee separately. Now, this was used as a starting point. I requested the Vice-President, Mr. Yundt, to have his people go carefully over those figures and determine what changes were necessary in them to build them up by exchanges on the basis of present actual use. The books are built up according to the Interstate Commerce Commission's instructions, on the basis of principal use, at the time that the items are charged to the fixed capital account. For an investigation of this kind, we ought to have the present use, as it is of course impossible on the books to currently change the amounts charged to the various accounts so as to keep up with the reassignment of circuits and so on. Mr. Yundt reported to me that changes would be necessary in the poles, wires and stations. That is where I expected he would find the difference, because it is the wires that are most frequently reassigned, and the reassignment of the wires involves a change in the use of the poles on which the wires are carried. The stations required separation between toll stations and exchange stations. I also requested Mr. Yundt to separate book investment in the central office equipment between exchange and toll on the basis of actual use as reflected in

his reproduction appraisal. And that has been done. With reference to the other accounts, such as cable, no changes were found necessary because the result as shown by the books were sufficiently close to make any change inconsequential. That is the manner in which I arrived at the separation of the investment between exchange and toll.

Now, the separation of the investment between intrastate toll and interstate toll was made on the basis of a special study. Per-
573 haps I had better explain that next, before we get down to expenses. Would that be the best way, Mr. Chipley?

Q. Go right ahead.

A. Here is a series of tables showing the method of calculating the apportionment——

Q. Just explain it.

A. That is an exhibit, ought to be. That is the original here. I have a number of copies.

Q. Will you file this as Crunden Exhibit No. 2?

A. I do.

(Statement filed market "Crunden Exhibit 2.")

Q. Go ahead, Mr. Crunden.

A. Mr. Yundt, I recall, testified as to his method of separating the central office equipment between exchange and toll, and the separation that he described yesterday is the kind of separation that I requested him to make for my purposes, and is a correct separation.

Q. That is on the basis of use?

A. Yes sir.

In order to shorten up the explanation of that Exhibit No. 2, I will try to explain it in terms that will apply to all the statement, so I do not have to be continually referring to tables 1, 2, 3, etc., and perhaps it will be more comprehensive to you. It is rather technical.

The apportionment or separation of the toll investment in Tennessee of the Cumberland Company, as between that devoted to intrastate and interstate use, I have based upon the relative amount of use of the toll circuits and toll central office equipment in the State, in furnishing of the two kinds of service, intra and interstate. The relative amount of circuit use and equipment use, respectively, having been determined, the relative amount of other facilities connected with circuits and equipment can be readily determined.

That is to say, if you get a correct separation of the circuits,
574 it is not difficult to get a correct apportionment or separation of the poles.

The amount of use of the circuits, depends on three factors. The first is the number of messages; the second is the average circuit miles employed per message; the third factor is the average amount of time, in minutes, that the operators and the subscribers make use of the circuits per message. The product of these three factors gives the total amount of use for toll circuits in message mile minutes. That is shown on table No. 4.

The amount of toll equipment depends upon two factors; the number of toll messages and the average number of times in min-

utes that the operators and subscribers make use of the equipme
Of course, in the toll equipment the factor of miles is eliminat
The product of the factors gives the total amount of use of
equipment in message minutes. Those two basis, message m
minutes for circuit use, and message minutes for equipment u
have been multiplied for apportionment and separation of toll
vestment in Tennessee, in interstate and intrastate use. The
messages analyzed to obtain these proportions were from Octo
1920 billing period, as it is known to accountants. That is to s
from September 21st, to October 20th, inclusive, 1920. The amo
of traffic using the toll circuits and toll equipments of the Cumb
land Company in Tennessee in a period of this length, is, in
judgment, ample to insure that the study will give an accu
picture of the relative use of the toll plant for the two kinds
service. The amount of toll use for this method was a total of 2
837 messages. That is to say more than a quarter of a mill
messages, of which 152,591 are intrastate messages and 125,246
interstate messages. Those figures are to be found in the tab
The normal first routing of each message was taken as a basis of
of circuits or equipment of the Cumberland Company in Ten
see. The classification established in the study, is shown
575 the tables 4 and 5, and I don't think I need to put it
the record, because it is perfectly clear there. It shows
in some cases, outward equipment was used also for inward eq
ment, in some cases there was used for inward and outward eq
ment.
The message mile minutes were determined separately for
class of traffic involved in the use of the Cumberland Company
cuits in Tennessee, and a similar separate treatment was give
each class of service to determine the message minutes.
Now, a few words with reference to the determination of the
element. The average length of haul of message for each cla
traffic was determined as follows: For each toll circuit group,
pole line distance over the Cumberland route in Tennessee was
it was determined and multiplied by the number of message
each class of traffic in the method previously referred to, giving
number of message miles for each class of traffic for each ci
group. Total of message miles for the circuit groups in each
of traffic were secured, separated for copper and iron circuits
divided by total messages of the proper class in order to give
average length of haul in Tennessee for each class of traffic. Now
separation between copper and iron circuits was necessary in
to properly work the apportionment of the investment. Co
circuits are more extensively used on the interstate business,
that refinement was introduced in order to make the accura
great as possible. I mention that point, for that was not do
the Minnesota study, and would make a point of difference in
the Commission's expert accountant check my work against the
of the Minnesota Commission.
The pole line distances over these circuits in Tennessee were
where the point in Tennessee the use of its circuits began to the

in Tennessee where the use ended. Now, by that I mean, I used the circuit miles and not the air line miles. In Minnesota it
576 used the air line miles. I think the method I used is more accurate. I have no doubt they did it up there that way to save time.

Now, with reference to the determination of the minutes element. The minutes of circuit use, that is, the average length of time toll circuits are used per message was determined separately for intrastate outward use and intrastate inward use; interstate outward use and intrastate inward use. The toll circuit minutes per message are made up of two elements. The first element is the average length of time the subscriber uses the toll circuit, which, in laymen's language is the average length of the conversation. The second element is the average length of time the operator makes use of the circuit in establishing the connection. The average length of time the subscriber uses it I determined separately for interstate and intrastate by an analysis of six days toll messages, covering June 9th, 10th, 13th, 14th, and 15th, 1921. The traffic taken for this study covered originating traffic at fourteen of the largest Tennessee exchanges. The toll tickets covered in this study is large enough to insure figures of the average length of conversation and are an actual reflection of traffic conditions.

The average length of time per message that the operators used the toll circuits in the product of the average time they used the circuits per attempt; that is each attempt to establish the connection and average number of call attempts they have to make in order to complete the message. The average time per attempt that the operators used the toll circuit has been determined by an analysis of the detail of sheets of Tennessee traffic extending from February 1, 1920, to January 31, 1921, inclusive; a period of twelve months.

The toll detail observation sheets are used in making observations of an engineering character to obtain a basis of judging the decree of satisfaction in which the subscribers are justified in holding the service, and to obtain data for supervisory services, for use of operator and toll line time, and such as additional toll equipment. The observer has a special set which he can connect with any line
577 under observation. The toll line which is under observation has a second set by which he determines the discontinuing of the connection. In that way it is possible to get very accurate information as to the average time per attempts on the part of the operator. The average number of call attempts without completing the call; number of completed messages for each of the above classes of circuit use has been determined by an analysis of the same six days toll tickets as were analyzed to determine the average length of conversation for intrastate and interstate traffic. You will find the figures and sufficient information to make them readily comprehensible in table No. 1.

Now, with respect to equipment use. What we have been talking about so far has been with special reference to circuit use, although the same, some of the same figures can be used on equipment use.

The minutes of equipment use as I term it, that is the average length of time per message equipment is used, was determined separately for intrastate outward traffic, intrastate switching traffic, and intrastate inward traffic. Then, separately, also for those same three kinds of interstate traffic.

The toll equipment minutes per message are made up of two elements; that is to say, the average length of time the subscriber uses the equipment, and the average length of time the operator uses the equipment to establish the connection for the subscriber.

The average length of conversation as determined in connection with circuit minutes per message is also available for use with reference to equipment. So, that requires no further explanation. The average length of time the operators use the equipment for messages is in the case of toll use of it. The average time the operators use the equipment per attempt of and the average number of call attempts on the completed message.

I determined the average operators equipment time per attempt, for the six classes of equipment use that I have just referred to. That is to say, intrastate in, switching and out, and interstate in, switching and out.

To facilitate checking on the part of the Commission, I
578 want to mention at this point that the average equipment use on outward is greater than the same class of circuit use, owing to the additional use of equipment in recording the message. During the time the message is being recorded, the equipment is in use, but not the circuit.

The amount of this kind of equipment use was determined from the toll detail observation sheets at Chattanooga, Knoxville, Memphis and Nashville, for the same period as the other operating data, and has been added to the average equipment use per attempt, to find the total outward equipment use per attempt.

The product of number of outward attempts, per completed message, and total outward use of equipment per attempt, gives the total average equipment minutes per completed message.

Now, with reference to switching, Table 3. The average equipment minutes of use of toll equipment at points where toll traffic is switched, was determined by securing the product of three factors, which enter into such minutes of use. The first is the average equipments minutes per attempt on switching toll messages at the switching point. This is the same as the outward operators' average use of the circuit per attempt.

The next factor we have is the average number of outward call attempts per completed message. This, of course, is the same as the outward call attempts on the circuit use.

The third factor is average number of switches in Tennessee per completed message, covering both the direct and switching toll traffic. This figure I determined separately for intrastate and interstate traffic by analyzing the October messages.

I think those explanations, taken in conjunction with tables 2 and 5, will make the whole business quite clear.

Now, with reference to the application of the data on the interstate and the intrastate services.

On table 4 there is shown detailed summary for each of the intrastate and interstate classes of toll traffic using the Cumber-
579 land Company's circuits in Tennessee. In order to understand what I am coming to, I think you might look at those headings on Table 4. It shows the class of toll traffic, the number of messages, then the percent, intra and interstate of those messages; then it shows the average length of haul per message over the Company's circuits, that measurement, of course, being in miles; then it shows the subscriber's average use of the circuits, per message computed in minutes; than in the three succeeding columns, it shows the operators' average use in minutes; the next column is a total; the next shows the total message miles minutes which is obtained by multiplying the number of messages by the number of miles, and multiplying the product so arrived at by the number of minutes; then, the last column shows the percentages derived for intrastate and interstate use of toll circuits, based on message mile minutes; the total shows that the total message miles minutes on intrastate and interstate use, was 62,539,078, of which 46,065,933 message miles messages were intrastate, amounting to 73.6 per cent of the total; the balance of 26.4 being interstate.

The percentage distribution of the total message mile minutes, which I have just given, are the figures which have been applied to the total Cumberland Telephone Company average investment in toll, outside plant in Tennessee, with the exception of the toll circuits, to determine the distribution of your investment between intrastate and interstate toll service; percentages separately arrived at on copper and iron wire use, circuit use, in a similar way were used to apportion the toll circuits and the details showing in tables 4*a* and 4*b*, which are supplementary tables.

Table 4*a* shows that the intrastate use of the iron circuits is 87.4 of the total, and the intrastate use of the copper circuits is only 69.7 of the total.

Now, with reference to equipment use, turning to table 5. The distinguishing feature of that table is the omission of the
580 miles element, which no longer applies, for we are not in a fixed location and are not dealing with a continuous structure like a pole line. That table 2, total messages for intrastate and interstate toll traffic, using the Cumberland Company's equipment in Tennessee amounted to 2,969,331. That figure, of course, is much less, because it is not multiplied by miles. 66.6 is the percentage for intrastate. That is shown in the last column, Column L of Table 5, and 33.4 per cent was interstate toll service.

The various units of everage equipment use per minute which were used in determining the message minutes for each of the intrastate and interstate classes of toll traffic, were taken from Tables 2 and 3, with the exception of those classes of toll traffic where on each toll message use was made of the toll switching equipment, for these classes of message the subscriber's average use per minute of the switching equipment is the same as his average use of the outward

and inward equipment; the operator's average use per message for these classes of traffic, that is our switching equipment on each message is the same as the outward operator's average use of the circuits, per message.

Now, that brief explanation, I think, will be enough for those tables. I could expand that indefinitely if you wish.

Now, in order to make that basis of apportionment a little clearer, it might be a good idea to take some simple figures. For instance, supposing that the telephone toll system, mileage, amounted to twenty miles and that calling party A had two messages and spoke three minutes. Then take the prorate factor of twenty multiplied by 3 multiplied by 2, which would give 120 units. Supposing that was on intrastate message, then the calling party "B" uses the same twenty miles on two messages and each time takes three minutes. Now multiplying 20 by 3 by 2, we arrive at 120 again. Therefore on my theory you would prorate the use of the circuits fifty-

581 fifty between the intrastate user and the interstate user.

Now, supposing that the intrastate user doesn't change his use, but the interstate user takes twice as long. That is, he has twenty miles of telephone line provided for his use and he has two messages, but he takes six minutes on each message; that is to say, double what the intrastate user does, now 20 by 2 by 6 gives you 240 units, as against the 120 units for the intrastate man. On my theory you then ought to charge the interstate man 66% of the investment and the intrastate man 33% of the investment.

Crystalizing it into one word, is is a prorate, as nearly as we can determine it on the basis of use.

Now, all of that is an explanation of how we arrive at the apportionment of the average investment on Exhibit 1, the first section down to the total average investment.

The working capital was prorated between the exchange and toll and between intrastate toll and interstate toll on the basis of investment which is the customary basis. It simply amounts to this, that the bigger the plant and more working capital you need to keep it moving.

There is nothing in my figures for intangible capital, nor for any intangibles of any kind. This is just the physical property and working capital.

Q. Now, the exchange property is all intrastate?

A. Yes, sir, I didn't find any intrastate exchange property for inclusion in this statement.

Q. You mean you didn't find any interstate?

A. Interstate, yes sir, excuse me.

Q. The exchange rates cover what is known as the exchange service and includes the access to the toll lines of the company, without other charge?

A. Yes sir.

582 Q. While the toll rates are made from exchange to exchange, toll board to toll board?

A. Yes.

Q. Bristol is excluded in this Exhibit?

A. Yes, Bristol is excluded, because it was explained to me that the exchange itself, the central office is not located in the State of Tennessee.

Mr. Chipley: Again we expect, subject to the approval of this Commission, to sell that property.

Commissioner Campbell: When will that sale be made?

Mr. Chipley: We hope in the near future, Mr. Commissioner. I think all the details are worked out, are they not, Mr. Hoxsey?

Mr. Hoxsey: They are, and I think we will be ready to come before this Commission within the next ten days or two weeks?

Commissioner Campbell: With the idea of eliminating double exchanges in upper East Tennessee?

Mr. Hoxsey: Yes, a new company being formed, subject to various approvals necessary, to buy the property of both companies at these places, in which we will hold a minority interest.

Mr. Chipley: The Cumberland Company.

Mr. Hoxsey: Yes.

Commissioner Campbell: Does that include Greeneville?

583 Mr. Hoxsey: It does not include Greeneville.

Gov. Roberts: You will hold what, Mr. Hoxsey?

Mr. Hoxsey: A minority voting interest in the new company.

By Mr. Chipley (resuming examination):

Q. That brings you down to revenues?

A. Yes sir. I found the exchange revenues were correctly separated as to exchange on the books of the company. That is, I mean correctly for the purposes of this study. They are correct so far as the I. C. C. instructions go any way, but I have to have them set up in a particular way for my study. For example, on leased toll lines, the charge includes a loop within the exchange, and I found that a separation had been currently and correctly kept on the books of that loop, which designated it as exchange revenue, and made it unnecessary for me to enter into arbitrary apportionments.

Now, the toll revenue, the apportionment between intrastate and interstate I made on the basis of a special study which I made. It was necessary for me to establish a percentage of the intrastate toll business to the total toll business for the State of Tennessee, and an analysis was made under my direction and supervision of all of the toll tickets written at every exchange of the Cumberland Company in Tennessee of traffic routed over the lines of that company and its local connecting companies during the month of October, 1920. The items analyzed amounted — 192,671 tickets, and the revenue on those tickets when priced out separately for the intrastate and interstate was found to be $75,644.36 for intrastate, equal to 66.62% of the total, and the balance of $37,902.69 were interstate, equal to 33.38%. The total revenue on all of the tickets amounted to $113,547.05.

584 I also made an analysis of the originating commissions and prorates earned at every exchange of the Cumberland Company in Tennessee on traffic routed over the lines of the

American Telephone & Telegraph Company, in order to determine the percentage of intrastate Cumberland Telephone Company's commissions and prorate the earnings on the A. T. & T. Co. calls. I found that of 18,012, 16,893 were interstate, and 1,119 were intrastate.

By Commissioner Hannah:

Q. State that again, please sir, I don't quite catch that.

A. The money or the item?

Q. The last statement you made. What were interstate and what were intrastate?

A. I say that to find out how much of the originating commissions and prorates payable or received by the Cumberland Company on A. T. & T. Co. business separately, I made a study which shows that the number of intrastate messages is 1,119 and the number of interstate messages is 16,893.

Q. Well, on that 16,000 you say the Cumberland Company got commissions, are those coming in or going out?

A. Going out. The revenue is divided this way, intrastate $330.24 and interstate $5,943.51. This is equivalent to 5.26% intrastate and 94.74% interstate. Now, by the aid of those studies I was able to compute the Cumberland Company's total intrastate toll revenue for Tennessee for the year 1920, and I proceeded in this way. I found that the gross toll revenue originating in the State of Tennessee for the year 1920 for the Cumberland Company—and this includes commissions on American Telephone and Telegraph Company's business—and both inward and outward prorate on such business, amounted to $1,262,015.17.

In order to give separate treatment to the local business and the long distance business, in view of the different percentages applicable to each, I deducted from this $1,262,000 item temporarily, the amount of the Cumberland Company's pro rates and
585 commissions on the long distance business routed over the lines of the American Company, which was included in that $1,262,000, the sum of $77,281.82. Then I brought down the balance, which represents the Cumberland Company's gross tolls revenue on business not routed over the lines of the American Company. And this amounted to, for the year, $1,184,733.33. Then I proceeded to calculate the amount of the intrastate proportion of the last mentioned figure by applying the percentage of intrastate toll business to total toll business, which I a few minutes ago stated as 66.62%; and 66.62% of $1,184,000.00 plus, is equal to $789,269.36. I next calculated the intrastate proportion of the Cumberland Company's prorates and commissions on Tennessee intrastate long distance business routed on to the American Company's lines, by applying the percentage of 5.26%, which I mentioned a few moments ago, to the total amount of the pro rates and commissions on long distance business for the year, amounting to $77,281.82, and that gave me the figure of $4,065.02 for intrastate long distance business. Now adding $789,000.00 plus, representing intrastate business, exclusive of A. T. & T., to the $4,000.00 plus, representing intrastate

pro rates and commissions on the A. T. & T. business, I obtained a total for the Cumberland Company's intrastate toll revenue for Tennessee for the year of 1920 of $793,334.38. To that I added some minor revenues which are not worth while taking time on now, which brought me to the total for intrastate toll, which is shown in the middle column on the first page of Exhibit 1, opposite the heading "Toll Revenue," of $795,536.88. I then apportioned the miscellaneous revenues on suitable bases, and as the amount of them is very small, I don't think it is worth while taking the time to explain those minor items. I have all the calculations and figures and they can be readily checked; if there is any necessity for me to explain each item, I have got the stuff here to do it.

586 Now, with reference to the expenses: the methods which I use in apportioning common expenses between exchange and toll in this case are substantially similar to those which I have used repeatedly in studies submitted to the Wisconsin Railroad Commission and the Michigan Public Utilities Commission and the Public Utilities Commission of Ohio; and they are methods that are well known and easily understood. Now, the first group I will pass, that is, General Miscellaneous, for the moment, I will take them up later. The principal accounts under the heading of Commercial are the revenue accounting and revenue collecting. That is to say, the cost of keeping the books with the subscribers and of collecting the amounts due from the subscribers. Revenue accounting I have apportioned on a special study which I made of the Auditor of Receipt's office. I separated out the amount of salaries in the toll section, all of which would be properly chargeable to toll, and I found the number of accounts handled in the ledger section which should be apportioned between exchange and toll. And I used this hypothesis: That where a ledger account or bill included exchange charges only, that the whole expense should be charged to the exchange, that where the bill included both exchange and toll charges, that the apportionment should be made equally between toll and exchange; that is to say, half the expense should be charged to exchange and half to toll. So that if there were only two accounts, and one account had no toll charges and the second account did have toll charges, the total expense on the ledger section would be apportioned in the relationship of 1½ to exchange and ½ to toll. Then I made the further study of the miscellaneous work in the office and apportioned that on the best basis that I could determine and used the pro rata factors so arrived at on the wages and apportioned the total expenses, including house service, stationery & other expenses. I think that basis is entirely reasonable.

Now, on the revenue collecting, I used the same method of apportionment; that is to say, the collection of a bill that was exclusively exchange charges should be charged 100% to exchange, but the collection of a bill that includes both exchange and toll charges

587 should be apportioned between exchange and toll. Now, I felt that a little more weight ought to be given to toll in connection with revenue collecting than should be given in connection with revenue account, because disputes are liable to arise on

toll calls. Therefore, I counted a collection that included both exchange and toll charges as 2 and used one factor on each; so that of the total revenue collecting activities amounted to two bills, and one bill was exclusively exchange, that counted one, and if the other bill included both exchange and toll, that was counted as 2, one exchange and one toll, so that the total apportionment would be 1 toll and ? exchange. That had the effect on revenue collecting account of throwing more into the toll, which I think I can justify on the basis of universal experience.

Now, pay station commissions, which are commercial expenses, I found separated on the books between exchange and toll, according to the proper method.

Canvassing expense, I apportioned between exchange and toll on the basis of revenue of the two kinds of service.

Directory expense I based on a study of the directory distribution. Of course, the greatest number of directories are used locally in the exchange, but in some towns, some of the directories are mailed out in connection with toll purposes and other points and I took that into consideration.

The Local Commercial Administration expense is partly overhead and partly direct work. That is, the manager is as much a working employe as the collector as regards the part of his work, but he does exercise some general supervision over the exchange, so I divided the Local Commercial Administration into two parts, one representing over head and the other representing direct work. That is a usual way of dividing that account. And then the direct work I apportioned between exchange and toll on the basis of the best estimate of the commercial engineer as to the amount of work done
588 for the exchange and toll operations, respectively, by the managers. And his estimate in that respect agreed with what I thought he was going to produce, on the basis of my experience elsewhere, and I believe it to be correct. Now, the overhead, that is to say, the general commercial administration I prorated between exchange and toll on the basis of the commercial expenses of a direct nature; that is to say, the overhead is apportioned on the expenses supervised.

Now, the next item is traffic expenses; that is a fairly easy series to handle accurately, because the preponderating part of it is the traffic operators' wages, which are divided on the books between exchange and toll. I find them so divided that the methods used in the local accounting department were correct, so far as I could ascertain; but I took the precaution to submit the figures to the General Traffic Superintendent with the request that he look them over and see if he could find anything wrong with them, stating that they were to be used for this purpose, for the purposes of this case, and he replied that such a rough check as he was able to make at this time did not disclose anything that, in his opinion, needed to be rectified. I, therefore, took those figures as they stood on the book with considerable confidence, and I prorated miscellaneous traffic accounts, including the superintendence, on the basis of the operators' wages. That gives quite an accurate separation of the traffic

expenses because we know that the operators' wages are fairly close, and the other expenses are not important in amount, and they certainly must be very largely influenced by the activities of the exchange as reflected in the operators' wages. The treatment given the traffic series is a standard treatment.

I might mention in connection with the Minnesota case, since I have mentioned it several times, that in that study, the accountants having plenty of time or more time than we have had here, made a very critical analysis of the miscellaneous expenses of the
589 Traffic Department and apportioned the numerous accounts each one on a separate basis, a basis that diversed all down the series, as far as I recollect it. And they reached a total, I remember, for toll of $360,200.00, and I received the figures later on from one of the accountants that worked on that case, and I applied my method of apportioning the expenses between exchange and toll and found that I arrived at a figure of $359,600.00, a difference of $600.00 of a total of $360,000.00.

With reference to the current repairs, the principal part of these repairs are reported separately in the first instance by the field forces to the accounting department, separated between exchange and toll. That applies to all the serial plant and underground plant.

The repairs of central office equipment I apportioned between exchange and toll on the basis of the engineer's separation of the central office equipment, which is a very good basis.

The repairs of station equipment I apportioned on the basis of the number of exchange and toll stations.

The supervision of maintenance, representing the charges for the Plant Superintendent and the office forces, I apportioned between exchange and toll on the separation of the direct repair accounts; that is to say: I followed my regular plan of apportioning overhead expenses, on the basis of expenses supervised.

The depreciation of plant and equipment separated itself, simply by applying the proper unit rates to the amounts of the respective kinds of plants assigned to toll in this study.

Station removals and changes is a small item and was apportioned between exchange and toll on the basis of the number of exchange and toll stations.

Referring to the general miscellaneous expenses, I apportioned this between exchange and toll on the basis of the total commercial traffic and the current maintenance, direct expenses, which is the best basis that I think you can get and which is a customary basis in most States.

590 Rights, Privileges and Use of Property, is composed principally of the 4½% payment and that divided up actually; that is to say, having ascertained the revenue, you could obtain the amount of the 4½% charge.

Taxes, in general, I apportioned on the basis of investment. I find that while the taxes in this State are largely localized, that is, they seemed to be city and county taxes and some state taxes, the limits of the local tax areas are not continuous with the limits of

the exchange areas. Moreover, the exchange and toll operations are both carried on in the exchange areas, making it impossible to apportion the taxes on any local basis. I believe that to pro rate them over the State on the basis of investment is as close as anybody can come to making a reasonable apportionment; the total expense being, of course——

Q. Did you take up insurance?

A. Insurance, no I did not mention that, but I apportioned that on the basis of Central Office Equipment, which is the principal item that we insure.

Q. Pole lines are not insured?

A. No sir. Now, the total expenses and net revenues are, of course, computations. So, that explains the whole of the separation between exchange and toll.

The separation between intrastate and interstate of the amounts of the total toll I arrived at on basis which are in general, and allowed for local differences, the same as are used in the Minnesota study. The commercial expenses I apportioned as follows: Revenue accounting and revenue collecting, on the basis of the number of ourward intrastate and interstate messages. Pay Station commissions, on the basis of toll service revenues of the two kinds, respectively. Local commercial Administration, I, or rather general commercial administration representing overhead, I apportioned on the basis of the other accounts. I did not, or I do not need, I
591 think, to mention the rest of the commercial series, because they are of a minor character. I might mention the Advertising, Canvassing, Sub-license Series, which I apportioned on the basis of originating revenues, two classes. Now, the traffic expenses for operators' wages and the accounts associated with it, service inspection, operators' clerical wages, rest and lunch rooms, operators' schooling, central office stationery and printing, I apportioned on the basis of the operators' use of equipments, or operators' message minutes, as it may be termed. I also apportioned transmission power on the basis of the operators' message minutes. Messenger service I apportioned on the basis of the number of outward messages. Miscellaneous General Office Expenses, Pay Station Expenses, and other traffic expenses, I apportioned on operators' message minutes. Leased line operating expenses I apportioned on the basis of the amount of Morse revenue on intrastate and interstate business, respectively. Traffic superintendence, I apportioned on the basis of the direct traffic expenses of all kinds.

Now, with reference to the current maintenance the repairs of the outside plant, I apportioned on the basis of message-miles-minutes, intrastate and interstate, respectively. That is to say, on the same basis as the investment itself, was divided. That is the investment in those classes of plant. The central office equipment repairs I divided in the same way that I divided the equipment itself, namely: on the basis of equipment-message-minutes. Repairs of subscribers' stations I apportioned on the basis of message-minutes. Depreciation of plant and equipment divided naturally, simply by applying pro rates of depreciation to the proper proportions of plant.

Supervision I apportioned on the basis of the direct repair expenses.

The general miscellaneous expenses I apportioned on the basis of the amounts assigned to commercial, traffic and current maintenance for direct expenses of the two classes respectively.

592 The rights, privileges and uses of property, I apportioned, so far as the 4½% payment that is included there is concerned, on the basis of revenue and that total also includes some small items of rents, which are separated on the books of the company between exchange and toll and which I reapportioned between intrastate and interstate toll on the basis of message-miles-minutes.

Insurance I apportioned in accordance wiht the apportionment of the equipment; and taxes I apportioned in accordance with the apportionment of the investment.

That, I think, explains, in a broad way, all the apportionments that I made. I haven't tried to follow into every little account, but to give a substantially complete picture, in broad terms.

(Recess for 10 Minutes.)

By Mr. Chipley (resuming):

Q. Now, Mr. Crunden, it appears from your exhibit that during the year 1920 the company earned upon its exchange business, segregated from toll business, at the rate of .079%, is that correct?

A. Yes, sir, that is correct.

Q. And that the company earned from its intrastate toll business, separated from all other business, in the State of Tennessee, at the rate of 5.5%?

A. That is correct, sir.

Q. And that the company earned upon the whole of its business, exclusively intrastate, exchange and toll, at the rate of 1.01%.

A. That is correct 1.01%.

Q. Now, your statement also shows the result of operations of the company with reference to its exchange business at the various exchanges, separated from toll?

A. Yes, sir, and on the last spread, the last two pages that open one facing the other, the footings for total exchange agree with the amounts shown in the first column of the statement which prefaces the exhibit. The percentage per annum of net revenue to investment on the last page is shown as .08%. That is the same per cent as is shown as .079 on the first sheet.

593 Q. Now, these percentages are measured by the investment in these exchanges, in the State rather, as to these different classes of property?

A. Yes, sir, I started with the figures concerning which Mr. McTiernan had an exhibit here a couple of days ago. He put in figures from the books, and they were subsequently confirmed by Mr. Crowell. Now, I started with those figures and made my apportionment in the manner I have described.

Q. These figures were taken from the books, and you have used no figures other than those introduced by the testimony of Mr. McTiernan and Mr. Yundt?

A. And Mr. Sloan.

Q. And Mr. Sloan, in this case?

A. Yes, sir, now in this exhibit none of them are Mr. Sloan's figures, and the only connection Mr. Yundt had with these figures, that I can recall, was that he separated certain classes of plant property for my purposes, as I requested.

Q. At your request?

A. Yes, sir, but those are book figures?

Q. They correspond with Mr. McTiernan's figures?

A. Yes sir.

Q. Now, will you be good enough to state, turning to the next to the last page of your exhibit, what was the net earnings of the company at its exchange in Nashville, Memphis, Chattanooga and Knoxville?

A. In dollars or percentages?

Q. In percentages.

A. In Nashville the per cent net revenue to average investment was 1.31.

Q. That is all strictly exchange business now.

A. Yes sir, the toll expenses have been entirely excluded from these results.

Q. Also the toll property?

A. Yes sir, also the toll property. At Memphis the corresponding figure was 3.19.

594 Q. Per cent?

A. Per cent, yes sir.

Q. At Chattanooga?

A. At Chattanooga, 2.37%.

Q. At Knoxville?

A. At Knoxville, 3.87%.

Q. Now, Jackson, Tennessee?

A. Jackson shows a loss. The figure- in the exhibit which are in red represent deficits or negative results or conditions, and the per cent net revenue to investment, is a negative 4/02%. That is to say, if money cost us 7% we are 11% behind at Jackson.

Q. Now, Winchester?

A. Winchster, net revenue to investment 3/60%. That is a positive condition, that is earnings.

Q. Paris?

A. Paris is 3.36%.

Q. This statement shows all of the exchanges and the earnings at those exchanges in the State?

A. Yes, sir, all of those exchanges which were in existence at the close of the year except Bristol, which as I understand, is located over the State boundary lines for the most part.

Q. Now, have you prepared a statement which will show the result of the company's operations measured by the reproduction cost of

its property in its present condition, as a going concern with an established business?

A. Yes, sir, I have.

Chairman Enloe: Whose figures were used in that compilation, Mr. Yundt's or Mr. Sloan's?

Mr. Chipley: That is up to the Commission to accept either one they see fit. We have two sheets.

595 The Witness: I prepared it from both figures, two sheets.

By Mr. Chipley:

Q. Did you take Mr. Sloan's figures for that purpose?

A. Yes, sir, I have it set up on both bases.

Mr. Chipley: The question of value, as we understand it, is arrived at, as expressed by the Supreme Court in the Smyth-Ames case and the Minnesota case, not to be a matter of formula or equation, but the exercise of judgment after considering the original cost of the property, the cost of reproduction of the property new and in its present condition, stocks and bonds, and any other relevant fact, pertinent to or relating to the value of the roperty.

Chairman Enloa: I want to know which witness you are going to follow.

Mr. Chipley: He has made his calculations on the reproduction cost in its present condition, using both Mr. Yundt's figures and Mr. Sloan's figures.

The Witness: I have two sheets, Mr. Commissioner.

Mr. Chipley: So the Commission will have them all before them and they will exercise their judgment as to what is the value, which of course is greater than the investment.

By Mr. Chipley:

Q. Now, this is using whose figures?

A. The company's appraisal that Mr. Yundt put in.

Q. Does it show on there that was used?

A. No, it simply shows Reproduction Cost Present Condition. The other one I have here has got Sloan Appraisal on it.

Q. Just add there "By Yundt."

596 ("By Yundt" indicated on exhibit offered.)

Q. File, that as Exhibit 3, Crunden, please.

A. I do.

(Same received in evidence so marked.)

Q. Now, Mr. Crunden, will you please explain the method in which this statement was prepared and what it shows?

A. Mr. Yundt made an estimate or appraisal of the reproduction cost of the Cumberland Company's property in Tennessee, present condition, and separated it between exchange and toll. I have taken his exchange figures and set them down on this sheet and I have

apportioned the toll figures between intrastate and interstate toll, using the methods that I have described, and I have set down here, in the second column the intrastate toll proportion of investment. The third column shows exchange and intrastate toll added together to produce total intrastate, present condition, per Yundt. The revenues and expenses are the same as in Exhibit A, and the percentages are arrived at, using Yundt's figures on present condition, as shown at the top of this Exhibit.

Q. The total figures?

A. Yes. Yes, these figures are actually taken from Mr. Yundt's exhibit in this case, and they include his working capital and going value.

Q. Then what does that show the earnings of the company to be, measured by its appraised value, of its property, on its intra-state business, of course?

A. Net revenues in money, of course, don't change. I have used the same amount for depreciation in this statement as I used in the other statement. That is to say, the fact that the reproduction value is greater than the investment, the reproduction cost is greater than the investment has not, according to my calculations, changed the depreciation. I am including here depreciation based on the lower figure, namely, the investment. The percentages change, how-
597 ever, because the divisor used in the Yundt reproduction cost, present condition, and on this exhibit it appears that the percentage, per annum of net revenue to reproduction cost, present condition is; for exchange, five one hundredths of one per cent; for intrastate toll 3.3 per cent; and for the total intrastate sixty seven one hundredths of one per cent, which is approximately, two thirds of one per cent.

Q. You have a similar statement using Mr. Sloan's figures?

A. I have.

Q. And you have prepared it in the same way and by the same method you did as to Mr. Yundt?

A. Yes, sir, I will file this as Exhibit No. 4.

The said statement so offered and identified was received in evidence, marked Crunden's Exhibit No. 4.

Q. Then it will only be necessary to state the net results, will it not?

A. Yes, these figures for cost are based on the Sloan appraisal exclusively, and the percentages at the bottom of the Exhibit Are; per cent per annum, net revenues to reproduction cost, present condition, Sloan's appraisal, six one hundredths of one per cent; intrastate toll 3.6 per cent, and total intrastate, seventy-two one hundredths of one per cent, or approximately, three quarters of one per cent.

Q. So, the earnings measured by either appraisal are less than one per cent upon our entire intrastate business in Tennessee?

A. Yes sir.

Q. For 1920.

A. That is correct.

Q. While measured by the investment for the same period with the same business, we earned at the rate of 1.01 per cent.

A. Yes sir.

Mr. Chipley: Any questions, Gentlemen of the Commission?

598 Com. Campbell: According to your Exhibit No. 1, I believe it is, the statement of intrastate investment revenues and expenses for the year ending December 31, 1920, the revenue to investment shows, according to this exhibit, a discrimination as between exchanges, does it not, in the rates?

A. What was that last sentence?

Q. It shows a discrimination in rates and earnings of the exchanges according to the investment.

A. It shows a very wide variation, you would call it a discrimination, I suppose. I would not like to see such a divergence as appears here. These are too much variations. The whole thing has been thrown out of line by the change in the relationships of the prices of commodities and in the rising prices of commodities and labor.

Q. Could you, following this exhibit, taking it as a basis prepare a table of rates which you think would not be a discrimination.

Mr. Chipley: I have not, Mr. Commissioner, Mr. Hoxsey is going to discuss that proposition.

Col. Campbell: If he has such an exhibit it has not been filed.

Mr. Chipley: It has been filed and we are going to discuss it and show why we think the rates we suggest are proper rates. But the whole question of distribution of rates between various exchanges is what Mr. Hoxsey will discuss this afternoon. Just what you are alluding to now, Mr. Commissioner.

Com. Campbell: I thought it might aid the Commissioner in studying the case.

Mr. Chipley: You can have him make any statement you wish, of course.

599 Now, Gov. Roberts, are you able to Cross-examine this witness?

Mr. Roberts: I don't think there is but one other man in the world that knows all about it, and that is Mr. Chipley. We have felt sitting here his withering glances from his great eminence over there.

Mr. Chipley: I regret exceedingly if I have seemed at all discourteous, I assure you it was not intended. I can only attribute its seeming so to my extreme youth.

Mr. Roberts: I have just been wondering on what heat he is fed and what books he has been reading. I was just wondering about it. I was wondering if he did not have his grip full of works on fiction, such as Jules Berne, and others of like character, down at the hotel.

Mr. Chipley: And if I might go a step further to show the contrite spirit in which I am, I hope, you will accept my copy of the appraisal by Mr. Yundt.

Mr. Roberts: I thank you very much, I thought these things would be dug up.

Mr. Chipley: It shows the spirit that obtains, when we get away from the attitude of antagonists and counsel.

Do you want Mr. Crunden to do anything for you, Mr. Commissioner?

Com. Campbell: I understood from you that Mr. Hoxsey would give that.

Mr. Chipley: Yes, and when he has finished, if he has not given you what you want, we will get it.

Mr. Roberts: We want the right to cross-examine this witness when we have had a chance to make some forays out into fairyland and dreamland, as they have.

600 Com. Hannah: Your testimony has been largely on intrastate—entirely on intrastate rates, hasn't it?

A. I didn't get the last of that question.

Q. I say, bearing on this case, what effect would it have on it with the interstate revenue.

A. If you add that, you go back to Mr. McTiernan's figures. His show the State as a whole, both interstate and intrastate included, all of the line earnings, regardless of where it began or ended.

Q. All the toll rates you have figures on, and intrastate rates.

A. Yes sir.

Q. But you don't show any interstate rates at all?

A. No sir.

Q. What effect would it have on the net revenue, if you figured the interstate?

A. I have not seen Mr. McTiernan's exhibit with the percentages on it.

Mr. Chipley: I can tell you that in just a minute.

Mr. Roberts: I thought they both knew the same, but I will retract my remark that Mr. Chipley knows more than he does.

Mr. Chipley: Mr. McTiernan's statement covering the business in the State of Tennessee, including all originating and interstate toll business, showed a net earning for 1920 at the rate of 2.13 per cent, while Mr. Crunden's statement excluding toll, and including only intrastate, showed an earning at the rate of 1.01 per cent. The difference is something more than one per cent in the net return.

Mr. Chipley: That is all, Mr. Crunden.

Further this deponent saith not.

601 J. J. McTIERNAN, next witness called for the Company, being duly sworn, deposed, as follows:

Direct examination.

By Mr. Chipley:

Q. What is your name and residence?

A. J. J. McTiernan, Atlanta, Ga.

Q. Are you connected with the Cumberland Telephone Company; if so, in what capacity?

A. I am the Auditor of Disbursements of the Cumberland Telephone Company, and have been since October, 1912.

Q. At the present time, I will ask you whether or not you are acting as General Auditor of the Company?

A. I am acting as general auditor, in the absence of the general auditor.

Q. Is your position such that you are in charge of the books and records of the company?

A. I am in direct charge of the books and records of the company?

Q. What records?

A. The general books of the company, subordinate to the general auditor. The work is done under my personal supervision.

Q. Which records do you refer to?

A. The general books of the company, ledgers and journals, and statistical records, etc.

Q. Have you prepared a statement showing the investment, revenue and expenses for the State of Tennessee for the year 1920?

A. I have.

Q. Please file the original marked McTiernan Exhibit No. 1 as exhibit to your evidence?

A. I do.

(Same received in evidence and so marked.)

Q. Take up the item of investment, what is included by that term?

602 A. Investment in the Cumberland Telephone & Telegraph Company. In that group of accounts under the head of investment, there is included the physical property of the company only, including the working capital made up of cash and cash advances to employes, and materials and supplies. The other items represent the physical plant of the company.

Q. Do the books of the company show the investment in the State of Tennessee?

A. The statistical records of the Company show the detail of the investment in the State of Tennessee. The general books, that is, the ledgers, only carry it for the company as a whole.

Q. Now, take your first item, Average Exchange Lines and Equipment, what does that mean; explain that, please?

A. That includes the exchange pole lines, aerial cable, aerial wire, underground conduit, underground cable, the central office equipment and subscribers' station equipment. It also includes the right of way pertaining to the exchange plant.

Q. What is meant by "average?"

A. The average, that is, the average for the year, the amount of investment at the beginning of the year and the amount at the end of the year are added together and divided by two to get the average for the year, is the usual practice.

Q. Why do you use the average investment, rather than the investment at the end of the year?

A. Because you couldn't get a true picture by taking the investment at any particular date, for the reason that the revenues and

expenses cover the entire year. Consequently, you must take the average investment and not the investment at any particular date.

Q. The use of the word average is employed for the same purpose for all these items there?

A. Yes sir.

Q. Now the toll lines; what is that?

603 A. The toll lines include the toll pole lines, aerial cables, aerial wire, and if there should be any toll underground it would be included in there, too, there may be a little, as well as the toll right of way.

Q. Real Estate, Land and Buildings.

A. Well, the land, I think those two accounts pretty nearly explain themselves, the first account, Land, represents the land investment, the amount invested in land on which our buildings are located, or where we haven't any buildings, the lands themselves.

Q. The same thing is true of buildings?

A. The same thing is true of buildings.

Q. And the furniture and fixtures?

A. Furniture and fixtures includes the office furniture and fixtures we have in our various exchanges and general offices.

Q. The same as to tools, teams, vehicles, etc.?

A. The same as to tools, teams, vehicles, etc.

Q. All in the State of Tennessee?

A. All in the State of Tennessee, yes sir.

Q. Working capital, what does that include, and how do you arrive at that particular amount?

A. Working capital includes the average materials and supplies, the average cash and the average working advances, for the State of Tennessee, based, however, on an apportionment of the company's three items taken together. In other words, the cash for the entire company is taken as one item, the material and supplies as one, and the working advances as one, and the three added together. They are apportioned the sum of those three is apportioned in the State of Tennessee as the relation of the Tennessee investment to the total investment of the company.

Q. That is not an estimated figure?

A. No, that is an actual figure.

604 Q. That shows a total of $15,488,444.02 representing the investment in the State of Tennessee?

A. That is right.

Q. That is the original cost of this property from time to time, except as to that 1910 appraisal spoken of and explained by Mr. Hoxsey this morning?

A. That is right.

Q. All entries since 1910 represent the original cost of the property?

A. Yes sir.

By Chairman Enloe:

Q. Is there any depreciation represented in these values?
A. No, there is no depreciation in that at all; this is the original cost of the property.

By Mr. Campbell:

Q. In making this statement, do you regard such exchange as a separate unit?
A. No, this is on the basis of the State as a whole. We have statistical records of the exchange, though, however.

By Mr. Chipley:

A. Later on, Mr. Commissioner, we have all that in detail.
Q. Now, there was filed with this Commission sometime ago a similar statement for 1920 and that total of investment in that statement was $15,286,550.84, being $198,391.18 more than the total investment shown by your exhibit that you are now discussing?
A. That is right.
Q. Explain why your exhibit shows a lesser figure by that amount than the same statement filed with the Commission some months ago?
A. In the first statement there was included two items which have been eliminated from the present statement; Construction in Progress is an account in which the expenditures for a plant not
605 yet ready for service are included. The particular balance in that account was included in the first statement, and while it is an investment of the company, yet it is not a proper item to be included in a statement for rate-making purposes. The plant itself is not in service and for that reason is was excluded. That amounted to $110,103.81. There was also included in the first statement items of intangible capital, and while there is some question as to whether or not those items should be included in the investment in a statement of this kind, it has been decided to eliminate these particular items from the investment. That amounts to $88,287.58. The first statement was made up also shortly after the close or soon after the close of the year as it was possible for us to get it up, and in going over the statement later for this particular case, we found three errors that amounted to a net of $3,500. So that those three items we speak of now, the Construction in Progress, the Intangible Capital, and the erroneous items of $3,500, result in the elimination of $194,887.39 from this statement, as compared with the original statement filed.
Q. So that then the investment shown here is only physical property?
A. Absolutely, that is correct.
Q. And such money as is included in working capital?
A. In working capital, yes sir.
Q. Representing the cost of the bare bones of the property?

A. That is correct.

Q. Now, what about the item of revenues?

A. The item of revenues, the first item of revenue is shown as Exchange Revenue. I could give you the details of the various accounts of the Exchange Revenue, but about 96% I should say of that amount covers the amount of money that is received from subscribers for telephone rental.

Q. You mean for exchange service?

606 A. Telephone rental for exchange service. The rest of it or the remaining four or five per cent is made up of pay station revenues, service station revenues, etc. I can give you the detail of it if that is needed.

Q. By pay stations, you mean pay stations around town where the public talks over?

A. Local pay stations, yes sir.

Q. The total of that account is $3,543,870.21?

A. Yes sir, the second item of revenue is shown as Toll Revenue, the large item in that account being the amount of revenue which is received from subscribers for toll service as distinguished from exchange.

Q. You mean from patrons?

A. From patrons, yes, sir, as distinguished from exchange service. That is the sum of the charges made for the use of toll lines. That amounts to, for the year, $1,290,177.52. The miscellaneous items are made up of directory advertising and items of that nature. This is a copy of the Uniform System of Accounts for Telephone Companies as prescribed by the Interstate Commerce Commission. I will read the miscellaneous accounts. That would include, Messanger Service, Telegraph Commissions, other Telegraph Service Charges, Advertising and Directory, Rents from other Operating Property, Other Miscellaneous Revenue. I have got the details of that upon the various accounts if you want to know it, but the total of it amounts to $110,448.91, making the total revenues of the company, I should say, for Tennessee, $4,944,493.64.

Q. Now, the total of revenues on the statement filed previously with the Commission for 1920 showed a slight difference from the amount you have just read as the revenue; what was that difference? And how did it come about?

A. That difference is $73.85.

Q. Out of a total of four million, nine hundred and odd thousand?

607 A. Yes, sir, $73.85. It represents mostly payments received from banks that had failed and which had been credited to surplus account. In the past it had been our practice to include items of that nature as a charge against the particular State, then when the item or whenever any payments were made of this kind, to credit the particular State with the amount of the payment. However, this was incorrectly classified to surplus. The Interstate Commerce Commission in their interpretation of the account indicates that these losses are a proper operating expense account, but on account of the fact they have gone through the sur-

plus we considered it advisable to cut out this amount of revenue, $73.85.

Q. Now, the matter of expenses, the first item is General and Miscellaneous?

A. In this group of accounts, that is, the General and Miscellaneous, there is included the charges to the State of Tennessee for the executive, legal, financial and accounting departments of the company, as well as the cost of the relief department and compensations department, the cost on account of accidents to others than employes, as well also as the cost of accidents to property that is not our own.

Q. Upon what basis have you allocated these charges to the State of Tennessee, these general and miscellaneous expenses?

A. Well, any of what we call the group expenses, that is the expenses of those departments that function for both companies in the group, the Southern Bell Company and the Cumberland Company, the division between the two companies was made on the basis of the number of stations in each company.

Q. Now, what kind of expenses were those? Do you mean by that President's salary?

A. President's salary and Vice-President's salary and all of the clerks in the general accounting department, all of the expense in connection with the general accounting department, such as our house expenses and other expenses of that nature.

608 Q. Having separated upon that basis those expenses between the two companies and gotten the amount chargeable to the Cumberland Telephone Company as a whole, upon what basis do you allocate those charges to the State of Tennessee?

A. Those expenses were allocated to the State of Tennessee on the basis of the relation of the investment in the State of Tennessee to the total investment in the Cumberland Telephone Company.

Q. What is the nature of the miscellaneous expenses?

A. Miscellaneous expenses are any items at all that are of a general nature for which a specific account is not provided.

Q. Is that authorized by the I. C. C.?

A. Yes sir.

Q. Now, Commercial Expenses?

By Com'r Hannah:

Q. Before you leave that, if I recall, yesterday one of the witnesses testified that the expenses, that Tennessee's pro rata of the general officers' salaries amounted to $30,000.00 per annum.

A. That is the general officers, yes sir.

Q. Now, that $30,000.00 would be a part of these general and miscellaneous expenses that appears here?

A. It would, yes sir.

By Com'r Campbell:

Q. That is eleven officers?

A. Eleven officers; I think that was the number; I am not certain.

Q. Now, Commercial and Traffic Expenses?

A. I don't think I gave the total amount of that expense; the total amount of General and Miscellaneous Expenses is $162,354.47. The next item of expense is Commercial Expenses. That includes all of the expenses of employes who in a more or less general way have dealings with the public.

Q. You see the word "general" that might be misleading. This Commercial Expense is that all within the State of Tennessee?

609 A. No, a part of that is apportioned.

Q. That is what I wanted to know.

A. Yes, the use of the word "general" there, I don't use it in the sense of a classification of accounts; but that includes the managers the commercial officers, the employes and all the expenses in connection with those offices. It includes the cost of commercial advertising, canvassing and the cost of preparing bills and collecting the accounts. It includes the pay station commissions that are paid on pay station revenue and items of that nature. It includes, as Mr. Chipley brought out just a minute ago, it includes some of the commercial expenses of the group. There are certain commercial employes in the group in Atlanta who are doing work for both companies, and the distribution of that group commercial expense between the two companies is on the same basis as for the general and miscellaneous expense, the basis of stations. However, the distribution of the States is a little different, the commercial expense being as we saw it, more closely identified with the giving of service. That was carried down to the States on the basis of revenue, with the State commercial expense, and that, carried down, the total for the year amounts to $509,462.31.

Q. Now, traffic expense.

A. That represents the expense incident to giving service. It is made up very, very largely of operators' salaries and wages. It includes the traffic superintendents, the inspection, traffic inspection, operators' salaries and wages, rents and lunch room expense, operators' schooling, and all expenses incident to the giving of service. It amounts to $1,509,654.56, and the group apportionment of any such expenses, it gets down to the State of Tennessee on exactly the same basis as the Commercial Expenses did.

Q. What is meant by Current Repairs?

A. If it is permissible, I would like to read the I. C. C. instructions as to just what is covered by Current Repairs.

610 Mr. Chipley: I think that would be about the best evidence, wouldn't it, Governor?

Gov. Roberts: Yes, I suppose it would. That is getting pretty close to headquarters.

A. I don't know very much about the rules of evidence; that is why I asked the question. On page 66 of the Uniform System of Accounts for Telephone Companies, issued by the Interstate Commerce Commission, we find Repairs described, as follows:

"Repairs as used in the text of the various operating expense accounts, includes ordinary and extraordinary repairs."

Ordinary repairs include:

(*a*) Testing for, locating and clearing crosses, breaks grounds, and other line troubles, including routine work intended to present such troubles as, for example, pulling up slack, tightening guys and resetting guy stubs, trimming trees, straightening poles and cross arms, and cleaning and adjusting apparatus.

(*b*) Replacement of minor or short-lived parts of structures, equipment or facilities;

(*c*) Replacements of minor parts of wire plant or equipment made necessary by reason of faulty adjustments, excessive strains, mechanical injuries, or other minor casualties, not provided against in the charge for depreciation of plant and equipment:

(*d*) Rearrangement and changes in location of plant, except subscribers' station equipment (for which a special account is provided). This includes rearrangements of circuits, reassociation of party lines, rearranging grouping of trunks and calling circuits, recross connecting on distributing frames, rerunning jumper wires,
611 underlining switchboard jacks, etc., together with materials used for such purposes which do not add to the tangible value of such plant."

It also includes the recovering of salvage and removing retired or abandoned property (except subscribers' station equipment) when such costs are not provided for by the depreciation reserve.

In other words, the ordinary repairs which are intended to keep the plant in serviceable condition for doing the day to day work which is necessary to accomplish that and which does not in any way add to the life or value of the plant. It does not, of course, include any major replacements which are charged against the reserve.

Q. Now, is that Current Repairs, amounting to $99,004.01 all incurred in Tennessee?

A. I beg pardon, Mr. Chipley, that is not the right figure.

Q. I was looking at the wrong figure, this $869,275.20 of Current Repairs, is that all incurred in Tennessee?

A. It is all incurred in Tennessee.

Q. There is no allocation about that distribution?

A. There is a small allocation about that. I don't know the amount, but it wouldn't amount to more than a couple of hundred dollars for the State. That is, there may be cords and plugs which are repaired and which go to the Western Electric Company in bulk. They are not able to segregate that in any particular way to get it back to the exchange. That is, the repairs on them. They charge the repairs according to the group or the company, and it becomes necessary for us then to allocate a small amount of the repairs to the State of Tennessee.

Q. It wouldn't be more than three hundred dollars at the outside?
A. I wouldn't like to testify as to that, Mr. Chipley, but that is my opinion.

612 Q. What is meant by Station Removals and Changes?

A. The Station Removals and Changes Account includes the cost of discontinuing and removing and of changing location of all plants classified as subscribers' station equipment, including freight and cartage on such equipment and material as is sent to the warehouse. That is what it includes. I can give you a little more detail here as to how to get at it "when stations are removed (not merely changed in location) from subscribers' premises, the original cost (estimated, if not known) of the station should be credited to the appropriate fixed capital accounts, and the cost of the instruments, private branch exchange apparatus, booths and fittings should be charged to Account No. 122, "Materials and Supplies," while the cost of installation, including inside wires or interior block wires, and that portion of aerial wire which could be used only at the subscribers' premises from which the station is removed, less the value of any salvage, should be charged to this account."

The loss on subscribers' station wiring is handled differently than the usual loss on removal of plant. For all other accounts where there is a displacement of plant the loss is charged to the depreciation reserve, whereas in the case of the subscribers' station loss on wire, not on the apparatus, but on wire, the loss is charged to Station Removals and Changes. All of the work also in connection with the removal and change of station is charged to this account. Those different matters of charges to this account, amounts to, for the State of Tennessee for 1920, $99,094.01.

Q. I will ask you whether any of that is of such a character as goes to the plant account of the company and subject to capitalization?

A. I don't know that I just get your question, but I will answer it this way; none of that which goes out at that time goes to plant account; but if a station is put in at a location where some

613 of this wire has been allowed to remain up, and we reclaim the wire, that amount *if* charged to the plant account, because it goes back into service, and is credited to this account.

Q. It wouldn't show in this acc-unt?
A. It would show as a reduction.
Q. That is what I meant, not as an addition.
A. No, it would show as a reduction.
Q. Now, your next item of expense there is "Depreciation of Plant and Equipment" what does that include?
A. On page 67 of the Uniform System of Accounts for Telephone Companies, we find this:

"Depreciation of Plant and Equipment.—Telephone companies should include in operating expenses depreciation charges for the purpose of creating proper and adequate reserves to cover the expense of depreciation currently accruing in the tangibly fixed capital. By expenses of depreciation is meant—

(*a*) The losses suffered through the current lessening in value of tangible property from wear and tear (not covered by current repairs).

(*b*) Obsolescence or inadequacy resulting from age, physical change or supersession by reason of new inventions and discoveries, changes in popular demand, or public requirements, and

(*c*) losses suffered through destruction of property by extraordinary casualties.

We have never had any of the (*c*), the last one, yet.

"The amount charged as expense of depreciation should be based upon rules determined by the accounting company. Such rules may be derived from a consideration of the company's history and experience. Companies should be prepared to furnish the Commission, upon demand, the rules and a sworn statement of the facts, expert opinions and estimates upon which they are based.

The estimate for depreciation of physical property should take into account—

614 (*a*) The gradual deterioration and ultimate retirement of units of property which may be satisfactorily individualized, such as buildings, machines, valuable instruments, etc., to the end that by the time such units of property go out of service there shall have been accumulated a reserve equal to the original money cost of such property plus expenses incident to retirement less the value of any salvage.

(*b*) The depreciation accruing in property which cannot be readily individualized, such as pole lines, wires, cables or other continuous structures, where expenditures for repairs or replacements of individual parts ordinarily are not actually made until the latter years of the life in service of such property, and when made, may, therefore, be classed as extraordinary repairs.

By Commissioner Campbell:

Q. What is the total amount of your superseded property in Tennessee in 1920?

A. I couldn't tell you.

Q. You haven't got that?

A. No, I haven't any idea. (Witness continues reading from page 67, Uniform System of Accounts for Telephone Companies.)

"The rate of depreciation should be fixed so as to distribute as nearly as may be, evenly throughout the life of the depreciating property the burden of repairs and the cost of capital consumed in operations during a given month or year, and should be based upon the average life of the units comprised in the respective classes of property."

Now, this figure, or rather this item that we have here is made up by taking the rates of depreciation which have been made up by the

engineering department under the instructions or the supervision of the operating Vice-President, and those rates of depreciation of the various elements of plant——

615 Q. (Interrupting.) Explain that a little more fully. That is the rate of depreciation of each different kind of plant, you say?

A. Yes, for instance, the pole lines would have one rate of depreciation, the exchange pole lines would have one rate and the toll pole line would have another rate; the aerial cable would have one rate, the exchange aerial wire would have a different rate than the toll aerial wire, largely because a toll aerial wire is a copper wire, while a great deal or the most of the exchange aerial wire, if not all, is iron wire, so the rates of depreciation vary.

Q. These rates of depreciation of different kinds of property which are generally known and referred to as element rates of depreciation, are they?

A. Yes.

Q. They are furnished you by the engineering department?

A. Yes.

Q. Now, what use do you make of these element rates of depreciation?

A. We take the average investment in various elements of plant, pole lines, cables, etc., and we apply the element rates of depreciation furnished by the engineering department to the average amount of each element in money, and find the depreciation in that way.

Q. How do you find it?

A. By multplying the average investment by the element rate which gives me the amount of depreciation of that particular element. Going through that process for all of the elements of plant and then adding up all the depreciation items you have accumulated in that way, you find the total depreciation of the particular area you are working for, and for the State of Tennessee that amounted to $908,665.35.

Q. What is included in the item of Rights, Privileges and Use of Property?

A. In that particular item there is included the rents which

616 we have to pay for central offices and for the rights to be on poles of other people, for any facilities which we rent from others. It also includes the amount of licensee revenue debtor, which we pay to the American Telephone & Telegraph Company.

Q. That is the 4½% under the contract?

A. The 4½%.

Q. On gross receipts?

A. On gross receipts.

Q. The arrangement made under that contract?

A. Under that contract.

Q. Which we have discussed this morning.

A. Yes sir.

Q. How much of that item of $273,072.73 represents the 4½%?

A. No, the item is $259,720.29, Mr. Chipley.

Q. Well, the $259,720.29. How much of that represents the amount of the 4½% paid on gross receipts in Tennessee under that contract?

A. The amount of the 4½% paid on gross receipts in Tennessee for the year 1920 is $208,828.92.

Q. The balance of the item shown there is what?

A. The matter of rents, etc.

Q. The insurance and taxes explain themselves.

A. I think so, yes sir.

Q. They are direct expenses in the State of Tennesee?

A. Well, there would be a small part of the capital stock tax which is not paid in the State of Tennessee. There is a proportionate amount of the income tax which is not paid in Tennessee, but the rest of it is all Tennessee taxes.

Q. Now, does the investment include any sum representing our transmitters, receivers and induction coil which are furnished us under the contract known as the Four and One-Half Per cent Contract?

617 A. No sir.

By Commissioner Hannah:

Q. May I ask a question? Going back to the depreciation of plant and equipment, you say the expense was $908,663.35, I believe?

A. Yes sir.

Q. Have you expended that money for depreciation?

A. No.

Q. That hasn't been expended?

A. That is the amount that has been set up into a reserve, that is the amount we charge to the expense account for the purpose of creating the reserve.

Q. Is your depreciation to that amount?

A. The depreciation according to studies which have been made by the engineering department are accruing in the plant from day to day and is that amount.

Q. Now, if that has been set aside for depreciation, and the public pay that, is it set aside in money and do they get interest on that? What do you do with that money if you don't put it back into plant?

A. We put it back into plant largely.

Q. Largely, but what do you do with that that don't go in largely?

A. There might be some kept in cash. You couldn't individualize that particular amount of money. You could say it all went in, or a very large proportion of it; some of it might be in cash or securities or something else, it might be in materials.

Q. Would you put it into securities?

A. We don't individualze any money.

Q. How much did you set aside each year for depreciation, beginning with 1912 up to the present time, and can you show how you have expended that amount, or what have you done with it for these different years?

A. We can do that for the Company as a whole, but not for Tennessee.

Q. Why couldn't you do it for Tennessee?

A. Because the reserve is set up for the company as a whole but not for any particular area.

618 Q. You would know how much you spent for Tennessee?

A. No, you couldn't tell that. If you will let me I will give an illustration of that. In some of our fairly good sized exchanges we may have a switch-board, and so far as that particular exchange is concerned, it has about out-lived its usefulness, it isn't big enough. That switchboard is taken out of that particular exchange and transferred to some other exchange where it can be used. That particular switch-board may have been in the particular first exchange for a number of years and depreciation has been accruing or was accruing all during those years. However, when that switch-board is taken out there hasn't been any charge for depreciation, and will not be until the life of the switch-board has been entirely lived. So you will get that switch-board in probably two or three different states and that is why it is impossible to individualize by different States the charges to depreciation.

Q. But you charge here $908,665.33, that specific amount to Tennessee, for depreciation?

A. That is the amount of the depreciation expense to set up a reserve to take care of all the retirements of property.

By Chairman Enloe:

Q. You figure this amount to take care of the depreciation in Tennessee?

A. That is the amount to take care of the depreciation in Tennessee on the basis of the Tennessee plant.

Q. What is the total amount you have set apart now to take care of the depreciation in Tennessee?

A. I couldn't tell you that, as I said before, it is not segregated as to States.

By Mr. Com'r Campbell:

Q. Can you furnish us a statement as to the amount of superseded property for the last five years in the State of Tennessee?

619 Mr. Chipley: I was going to ask Mr. McTiernan to explain how this depreciation fund is used.

Q. Do we or not each year write off so much investment because we have so much depreciation?

A. We do not.

Q. Explain how this is handled, because generally speaking, each of us have the idea that each year so much is written off for depreciation?

A. No, here is what happens. Let us start with a new plant entirely and say that plant is a ten year plant; it would take a ten percent depreciation reserve, or charges to depreciation each year, to

take care of the amount of money you would have in hand at the end of ten years when you wished to replace that plant. In other words, the depreciation reserve is set up to take care of the final retirement of the plant, and the theory of depreciation as I get it is that it is intended to distribute evenly over the life of the plant, in order to get an equitable distribution to all subscribers of the amount of depreciation.

By Mr. Chipley:

Q. No, let's take it up and see. You build your new plant?
A. Yes sir.
Q. Parts of it have served their service life before other parts?
A. Yes sir.
Q. No plant runs like a "one horse shay" to the end of its service life as a whole?
A. That is true.
Q. Now, from time to time you do make replacements?
A. Yes sir.
Q. Of parts of the plant?
A. That is true.
Q. Just exactly how is that handled?
620 A. When the plant is being capitalized, the amount of the investment in that plant is determined upon a unit basis. What I mean by that is this, that we fixed for instance in the matter of poles, the investment in poles and the number of poles of various kinds and sizes, and from those two elements is determined the unit cost of poles in the plant, and when the poles are taken out to be replaced the plant account is credited and the reserve of accrued depreciation is charged. All of the expense of dismantling that plant is also a charge against the depreciation reserve, and if there should be any salvage from the plant which has been displaced, the depreciation reserve is credited. Does that answer the question?
Q. To make it a little plainer, say in this plant, at a certain time, one section of the switchboard has to be replaced?
A. Yes sir.
Q. Now, that is replaced by a section of switchboard of exactly the same size?
A. It may or it may not be.
Q. I am assuming, for illustration, to make it simpler, and that replacement is put in and it is paid for out of what?
A. The loss, if there is any, on the switchboard that is taken out, is paid for out of the reserve.
Q. Depreciation Reserve?
A. Depreciation reserve.
Q. Does that add to the investment?
A. It does not, it takes out of the investment that particular transaction, it reduces the investment. Putting in the switchboard brings it back to where it was.
Q. So, if the cost of replacing it is the same as the original cost of installation of that section leaves this investment exactly as it was in the beginning.

A. Exactly, but on the transaction, there is a charge to the reserve for the original cost of the switchboard and the cost of replacing it.

621 Q. But the net result is the same?

A. So far as the plant is concerned, yes sir.

A. Is that in accordance with the practice approved by the I. C. C.

A. Yes sir.

Com. Hannah: If I recall the evidence on yesterday, there were seven million and odd dollars set aside for the entire company for this depreciation reserve. Am I correct in my figure?

A. Just a minute and I can tell you.

Q. Accrued depreciation?

Mr. Chipley: That is the reserve fund.

A. As of June 30, 1921—I have a later report that Mr. Hoxsey balance in reserve for accrued depreciation was $7,919,636.

Com. Hannah: Now, that is money that is set aside for that specific purpose, if I understand?

A. What specific purpose?

Q. For depreciation?

A. For the specific depreciation of restoring the plant at the end of its life.

Q. What do you do with that fund? Do you let it lay and pay interest on it. Does it belong to the public or does it belong to you.

A. The fund is used as money borrowed from anybody else is used. It will be used in the construction of property, be used in connection with the payment of expenses, etc. But that does not answer the question you asked, I think.

Q. No sir, what I mean is, if you borrow it from somebody else you would pay interest?

A. Yes, sir.

Q. If you set it aside for reserve and call it or collect it for that purpose, then do you pay any interest for that balance, to the public?

622 A. No, sir, we do not.

Mr. Chipley: Does the I. C. C. require you to pay interest?

A. No, sir, they do not.

Q. Generally speaking, the fund is invested in the plant?

A. Yes sir.

Q. For the reasons given by Mr. Hoxsey?

A. Yes sir.

Q. Now, we give the total expense for 1920, $4,614,403.62.

A. Yes sir.

Q. That figure is slightly different from the similar figures shown on the statement filed some months ago with the Commission?

A. Yes sir.

Q. Explain that.

A. You want the various items that make up the difference?

Q. Yes, give some idea of it.

A. During the year 1920, there was some property sold at Knoxville, Tenn. There was a loss sustained on that property of $12,-

934.12 and was charged to surplus. That item was originally included in the first statement filed and has been eliminated from this statement. That depreciation on account of the fact that the construction in progress was eliminated, that representing various elements of plant, the depreciation was accordingly reduced and the amount of the reduction in the depreciation was $7,202.47. In the Rights, Privileges and Use of Property, there was an adjustment of $4,242.88. We found in connection with the Licensee Revenue, Debtor account, that is the four and a half percent charge, that the method of apportioning to the States in the Cumberland Company was slightly wrong in that it was not apportioned strictly upon the particular revenues on which the charge is made, but on all the revenues together, but by apportioning it on the particular
623 revenue on which the charge was made, we found that Tennessee should have been charged with $4,242.88 less than the original statement. That explains the difference between the original statement and this one.

Q. So, that leaves a net revenue shown on the statement which you have introduced to-day, Exhibit No. 1, $33,090.32 as against net revenue of $30.057.45 on the original statement.

A. Yes sir.

Q. As shown on your statement as introduced today, the net return upon the physical property investment or original cost of the physical property in the State of Tennessee for the year 1920, was, at the rate of 2.13 per cent.

A. Yes sir.

Q. As against a net return shown on the first statement filed, at the rate of 1.95 per cent.

A. That is right, sir.

Q. So that the statement you are filing today is against the company, as compared with the original statement?

A. Yes sir.

Q. Now, this statement was made up from the books and records of the company immediately under your supervision and control?

A. Yes sir.

Q. And in your charge?

A. Yes sir, under my charge and supervision.

Q. And under your direction?

A. Under my direction, yes sir.

Q. Now, some of this property shown in the investments, of this statement, is used for interstate business as well as intrastate business?

A. Yes, sir, that is true.

Q. The exchange business in Tennessee is intra-state business?

A. Yes sir.

624 Q. But the toll investment and property is used jointly for *intrastate* toll business and intrastate toll business?

A. That is true, sir.

Q. And the expenses incurred, so far as they relate to toll service include expenses in interstate toll business as well as intrastate toll business.

A. That is true, sir.

Q. The same is true as to the revenue derived from the toll business?

A. That is right.

Q. This statement which you have introduced now, does not show a separation of the exchange and toll expenses within the State of Tennessee?

A. It does not.

Q. But it does show the whole of the property, the whole of the expense and the whole of the revenue in the State of Tennessee for the year 1920.

A. Originating in Tennessee, I would say. Toll business originating in Tennessee.

Q. But no toll business originating elsewhere of interstate and terminating in Tennessee.

A. That is right.

Q. Those will be shown by later statements?

A. Yes sir.

Q. Have you prepared similar statements for any period of 1921, in Tennessee.

A. I have prepared similar statements for the five months ending May 31, 1921.

Q. Please file that as Exhibit McTiernan No. 2.

A. Yes sir.

The said statement so offered and identified, was received in evidence, marked "McTiernan Exhibit No. 2".

Q. This statement is made up exactly in the same way as the statement you have just discussed?

A. Yes sir.

625 Q. And the same comments and observations you have made as to the first statement, apply to this statement?

A. With regard to the accounts, yes. There were not any corrections to be made.

Chairman Enloe: The only material point of that is, it shows the 2.06, instead of 2.13 per cent.

Mr. Chipley: Yes.

Q. I notice there is one estimate figure, that is, the amount of taxes.

A. Yes, sir, that is estimated.

Q. Why estimated?

A. That is estimated because as a usual thing we cannot tell what the taxes are going to be early in the year; we get an idea of the tax department as to what the taxes will be, but cannot tell definitely what they will be. That is particularly true with regard to the income taxes. The Tax Department, I think, for the State of Tennessee can give us a pretty reasonable estimate, at this time of the year, as to the amount of taxes for the current year, and this is an estimate based upon the figures furnished by the tax department

with the figures also furnished by Mr. Hoxsey, being in charge—with regard to the income taxes, Mr. Hoxsey being in charge of the tax department.

Mr. Chipley:

Q. Then, it would seem from this exhibit, for the first five months of 1921, that the company is earning at the rate of 2.06 per cent upon its investment in Tennessee?
A. That is right, sir.
Q. Somewhat less than it earned during the year 1920.
A. Slightly, yes sir.
Q. You have caused to be made up different times, and the same are on file with this Commission, similar statements for the
626 State of Tennessee for the years 1916-19, inclusive have you?
A. And 1920 also, down below there.
Q. You have already introduced 1920?
A. Yes sir.
Q. This statement which you have now is merely a summary of those statements, the original statements being on file with the Commission?
A. Yes sir.
Q. It is my mistake, the 1920 should be especially referred to, because this statement corrects the error in the statement filed first, with the Commission?
A. Yes sir.
Q. Will you be good enough to file that as your Exhibit No. 3?
A. Yes sir.

The statement so offered and identified, received in evidence and marked "McTiernan's Exhibit No. 3."

Q. What does that show to have been the net earnings of the company in Tennessee in the statements made up, such as the statements you have described for the years 1916-1920, inclusive.
A. For the year 1916 the per cent of the net earnings to the average investment, was 4.19 per cent. For 1917, it was 4.30 per cent; for 1918, 2.59 per cent; for 1919, 3.04 per cent; for 1920, 2.13 per cent.
Q. Have you caused to be prepared a statement showing the result of the operations of the company as a whole for the year 1920?
A. I have, sir.
Q. Please file that as your Exhibit No. 4.
A. Yes sir.

The said statement so offered and identified was received in evidence and marked "McTiernan's Exhibit No. 4."

Q. At what rate did the company earn as a whole, during the year 1920?
A. At 2.84 per cent.
Q. That is at a higher rate of earning than is earned on that property that is within the State of Tennessee?

A. Yes sir.

627 Q. Have you a statement as to what was earned on the property in other states?

A. No, I have not a statement here.

Q. Will you file it?

Mr. Chipley: Yes, we can file it everywhere, except in Kentucky, we have not had it made up for Kentucky. It is a very laborious and expensive piece of work to have it made up.

Q. Mr. McTiernan, have we anything for Kentucky?

A. I think we have, Mr. Chipley, I can furnish that for Kentucky.

Q. Make a note of that then and file it.

A. Yes sir.

Q. What was the composite rate of depreciation you employed in making up your statement, Exhibit No. 2?

A. Worked out as 6.222.

Q. And arrived at in the manner you have described?

A. Yes sir.

Com. Hannah: Was that on the whole property or the depreciable property?

A. That is on what we call the plant in service, plus furniture and fixtures. The plant in service will include right of way. It is not looked upon in the same light as depreciation of property. It will also include the land. That is the method employed regularly by us in arriving at the depreciation that we use ourselves from month to month. In other words, that compares with the 6 per cent we have on our reports for the Cumberland Company.

Mr. Chipley: Just a moment, I am not clear. Do you include depreciation on land?

A. Oh, No.

Q. Do you include right of way?

A. No, no depreciation on right of way. But in arriving at

628 the composite rate, all of the investment in land and building was included to get at the composite rate. There is no depreciation figured on land or right of way, only on depreciable property, where the amount of depreciation was calculated, but in getting at the composite rate, all the plant in service, which includes the land and right of way, was included in the divisor.

Q. I now hand you three statements, marked Hoxsey Exhibits 1, 2 and 4, and I will ask you if they were prepared under your direction and supervision, at the request of Mr. Hoxsey, and if the figures from which they were established, came from the books and records of the company, under your control and charge.

A. They were. These were gotten from the books of the company, the figures secured under my supervision, at the request of Mr. Hoxsey.

Mr. Chipley: I will ask the reporter to identify these by writing his initials on them, for the purpose of identification, so they may be used later.

Reporter so marked same for identification.
Q. And prepared at your suggestion and direction?
A. Under my direction, yes sir.

Mr. Chipley: I think that is all, Mr. McTiernan. Governor Roberts the witness is with you.
Mr. Roberts: We would like to ask a few minutes in which to confer, if the Commission please.

(Recess taken for five minutes.)
Cross examination reserved.

629 STATE OF TENNESSEE:

Office of Railroad & Public Utilities Commission of the State of Tennessee, At Nashville, Tennessee.

I, J. H. Corbitt, Secretary of the Railroad & Public Utilities Commission of the State of Tennessee, do hereby certify that the above and foregoing 89 typewritten pages, constitutes the full, true and complete testimony of Allan B. Crunden and J. J. McTiernan, as given by said witnesses for Cumberland Telephone & Telegraph Company, reported in shorthand and thereafter transcribed and filed as a part of the record in the case pending before said Commission, wherein the Cumberland Telephone & Telegraph Company is seeking to put into effect a new and increased schedule of exchange rates. Said testimony was given before said Commission at a hearing begun on July 18, 1921.

Witness my hand and seal at office, at Nashville, Tennessee, on June 20, 1922.

(Signed) J. H. CORBITT,
[SEAL.] *Secretary.*

630 *Petition to the Commission.*

Filed Jun. 23, 1922.

Before the Railroad Commission of Louisiana.

In re the General Schedules of Rates and Charges for the Services Furnished by the CUMBERLAND TELEPHONE & TELEGRAPH COMPANY Within the State of Louisiana.

Your petitioner, Cumberland Telephone & Telegraph Company, respectfully shows:

1. That as of midnight July 31, 1920, this company had for a period of twelve calendar months been in possession, control, and had operated its lines of telephone within the State of Louisiana, charging and collecting the rates and charges now in effect.

2. That, notwithstanding the additional revenue received by the Company from charging and collecting these increased rates, the gross

revenues were not sufficient to pay the necessary cost of maintenance and operation of said properties, and to pay to the owners of said property a fair, just and compensatory return for the use of their property during said period of time.

3. That at this time the necessary costs of maintaining and operating these properties continues to increase.

More than half of the total disbursements of the Company are the wages and salaries paid to its employees.

Between January, 1916 and January, 1920, the Company's monthly wage bill has increased from $291,225.58 to $600,285.60, an increase of 106%. Since January, 1920, the monthly wage bill has been further increased at the rate of $599,064.00 per annum.

In addition to the wage increases already made, still further increases must be made by the Company this year, that for Louisiana alone being at an annual rate of $192,223.00.

The second largest item of expense is in plant and materials, the cost of which at this time is more than 97% above normal costs.

631 This is equally true, varying only in degree, of all other costs of maintenance and operation, which neither this Company nor any one else can reduce or control.

4. The year 1917 was the best year in the history of said Company, its net earnings in the State of Louisiana being at the rate of 8.51% upon its investment (being the original cost of its physical property) said investment not including one dollar for franchise, going value, or any other so-called intangible property; its net earnings for the year 1919 being at the rate of 5.59% upon its investment.

This Company's investment, revenues, expenses and earnings within the State of Louisiana for the years 1916 to 1919, both inclusive, are as follows:

	1916.	1917.	1918.	1919.
Investment	$8,464,821.61	$9,157,865.63	$9,715,557.72	$10,535,291.02
Gross revenue....	2,721,650.00	3,021,458.52	3,174,096.13	3,871,325.27
Total expenses....	2,092,416.54	2,241,751.05	2,578,911.08	3,282,644.19
Net revenue.....	629,234.06	779,907.47	595,185.05	588,681.08
Per cent of net earnings of investment	7.43%	8.51%	6.13%	5.59%

5. Operating costs have increased, and continue to increase, at a higher rate than the gross revenues received; the margin of safety between expenses and incomes, essential for successful operation, has steadily decreased.

In 1917 the Company's investment, used by the public, in the State of Louisiana was.....	$9,157,865.63
Its gross operating revenue was.....	3,021,458.52
Its net operating revenue was.....	588,681.08
In 1919 the Company's investment, used by the public in Louisiana was.....	10,535,291.02
632 Its gross operating revenue was.....	3,871,325.27
Its net operating revenue was.....	588,681.08
With an investment increased.....	1,377,425.39
And gross revenue increased.....	849,866.75
The Company suffered a decrease in its net earnings in the State of Louisiana, during 1919, amounting to.....	191,026.39

6. The conditions under which this Company's property is now being operated not only cause this increased cost of operation, but make an increased cost of investment necessary in making replacements, and in the construction of extensions and additions to meet the demand of the public for service; resulting in an increased investment per sstation, with a resultant further increased cost in operation, due to the increased and increasing expenses of taxes, insurance, capital charges, depreciation, and all other associated expenses.

7. At this time the demand from the public for telephone service and facilities throughout the State of Louisiana is greater than it has ever been within the history of this Company.

To meet this demand, which has been constant and steadily increasing during the years 1919 and 1920, this Company has put into service all of its available facilities, including facilities which should have been reserved for emergencies, which are essential to efficient service.

To meet the present greater and growing demands for service, this Company must add greatly to its plant and facilities throughout the State of Louisiana.

To meet the present demands for service in Louisiana this Company has authorized a construction program for the year 1920, which will cost $1,560,000.00 to complete, the necessary material and apparatus having been ordered many months since.

To meet the certain demand for telephone service in Louisiana during the next five years (in addition to the 1920 construction program now under way) plant must be installed and expenditures must be made as follows:

633 *Five-year Program of Construction, State of Louisiana.*

	Telephone installations.	Telephone disconnections.	Net gain.	Total No. telephones.	Construction cost.
In 1921.....	12,636	5,236	7,400	75,078	$3,292,300
In 1922.....	11,814	5,143	6,671	81,749	2,623,900
In 1923.....	12,168	5,790	6,378	88,127	3,234,900
In 1924.....	11,439	6,354	5,085	93,212	1,694,900
In 1925.....	11,147	6,677	4,470	97,682	1,914,000
Total, 1921-25..	59,204	29,200	30,004	97,682	$12,759,700

These amounts are subject to increase in the amount we fall short of completing the 1920 program.

8. Time is required to construct the facilities needed to meet the known 1921 service demand, assuming that the necessary material and equipment are promptly delivered.

Before the 1921 construction program, which will cost not less than $3,292.300, can be approved and the material and equipment ordered and necessary labor arranged for, the Company must procure the money with which to pay for this work.

This money can only be had by the investment in the securities of this Company by the investing public.

The ability of the Company to sell its securities to the investing public is dependent upon its credit, which in turn is dependent upon the net returns from the operations of its property in the past, and its ability to earn a fair, just and compensatory return in the future; which is dependent upon the rates this Company may charge for the service it furnishes.

9. To require this Company to continue to operate its properties in the State of Louisiana, charging for its service the rates and charges now in effect, will:

(*a*) Make it impossible for this Company to obtain the money with which to construct the necessary facilities to meet the demands for services required by the public of Louisiana during the year 1921, and thereafter, and will deprive the public of Louisiana of telephone service essential to its business and social needs.

(*b*) Deny the owners of this property a fair, just and compensatory return for the use of their property by the public of
634 Louisiana, and if continued will confixcate and take from the owners their property in violation of the guarantees of both the Constitution of the State of Louisiana and of the United States, and its amendments.

10. This petitioner respectfully states that the conditions surrounding the operation of its property at this time, together with the needs of the public of Louisiana now and in the immediate future for service, which can only be furnished by the construction of large additions and extensions to the existing properties, costing

many millions of dollars and requiring many months to construct, constitute an emergency in which the rights of the public, no less than the rights of this petitioner, require a speedy and adequate relief, which can only be had through the action of this Commission.

Wherefore, it is respectfully prayed that this Commission will name an early date upon which this petitioner may appear and present the facts and circumstances of the operation of its property in the State of Louisiana during the twelve calendar months from August 1, 1919 to August 1, 1920, together with the needs of the public and of this Company for relief, and that at such time this Company shall be authorized to charge such rates within the State of Louisiana as will establish the credit of this Company and enable it to secure the necessary money with which to construct the facilities demanded by the public for service and which will pay to the owners of its property a fair, just and compensatory return for its use by the public.

CUMBERLAND TELEPHONE & TELEGRAPH COMPANY,
(Signed) By J. EPPS BROWN,
President.

635 *Proceedings Before Railroad Commission of Louisiana, Baton Rouge, La.*

Filed June 23, 1922.

95.

Baton Rouge Division.

Before the Railroad Commission of Louisiana.

No. 3052.

CUMBERLAND TELEPHONE & TELEGRAPH COMPANY. Ex Parte.

In re Readjustment of Telephone Rates.

Heard December 15, 16, 17, 1920.

Stenographer's Minutes.

L. F. Sherer, Stenographer.

636 Appearances:

J. C. Henriques, Hunt Chipley, C. A. Stair, for Cumberland Telephone and Telegraph Company.
W. S. Brown, for Police Jury of St. Landry Parish.
George J. Woodside, for Parish of East Feliciana.
J. A. Trotti, —— King, for City of Lake Charles.

W. H. Moore, for Crowley Chamber of Commerce.
E. L. Loeb, for City of Opelousas.
Louis Ochs, for Travelers' Protective Association.
Paul H. Maloney and Rene Viosca, for City of New Orleans.
Fred A. Earhart, of New Orleans.
L. P. Amis, for Baton Rouge Chamber of Commerce.
C. A. Nesom, for Alexandria Chamber of Commerce.

637 *Index of Witnesses.*

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V. J. Kurzweg	352

638 *Proceedings.*

Baton Rouge, Louisiana, December 19, 1920.

Chairman Taylor: We will now take up and hear Case 3052 on the docket of the Commission, Cumberland Telephone and Telegraph Company, Incorporated, ex parte, in the matter of readjusting exchange telephone rates in the state of Louisiana. You will, if you please, file your appearances with the Secretary, so that the record may show who is present and taking part in the case. You may call your first witness Mr. Henriques.

Mr. Henriques: My Chipley is handling this matter for the Cumberland Telephone and Telegraph Company, Mr. Chairman, as he is thoroughly familiar with all of the detailed operations of the company in the state. Before proceeding with the testimony, however, Mr. Chipley desires to make a statement to the Commission.

Chairman Taylor: Very Well, proceed, Mr. Chipley.

Mr. Chipley: I shall be brief, Mr. Chairman. Due to the absence of the witness whom we wished to put on the stand first, perhaps the testimony can be more easily followed if I make a brief preliminary statement of the position of the Cumberland Telephone and Telegraph Company in this matter. Due to illness, Mr. Hoxsey was unable to be here this morning. We intended to open the case by presenting his evidence first; but as he cannot be here until this afternoon we will open the case by putting on the stand first Mr. Yundt, Mr. Yundt being the operating vice president of the company. His testimony will be directed particularly to the physical condition of the plant, the demands for service and the costs of operation. When Mr. Hoxsey comes his testimony will be directed to the operation of the company, both as a whole and within the State of Louisiana; and his testimony will be very full from every point of view, including its intercorporate relations
639 with other companies. If I may be permitted in this opening statement, while everyone is present, I should like to place a question of what we wish to earn, nor is it a question of what the Commission thinks we should earn. In its last analysis

it is a question as to what rates we will have to pay for money which we must borrow in order to meet the demands of the telephone using public of this state for service. The investing public, after all, is the controlling factor in this matter. The situation today, as will be developed, in the state of Louisiana, is that there are nine thousand people who have asked this company for service; and we are unable to furnish them service for lack of facilities with which to do it. Now, these facilities can only be purchased with additional capital. Additional can only be had through the sale of our securities; and that throws us, then, to the investing public. Later on in the case I shall introduce letters from bankers of this state bearing on the state of the money market at this time, and even if I did not do so it is generally known to all of you that money cannot be had today at less than 8% for investment in the securities of such companies as this. We have spent during the present year well over a million dollars in furnishing facilities to try and meet this demand which we are ficed with reght now and which will be upon us at the end of this year, and after having spent nearly a million and a half dollars this year will require in excess of two million dollars. Now, the proposition is simply this: We cannot get two million dollars to put into this business for these extensions unless the investing public is satisfied that the rates which we are charging will earn enough money to make their investment a safe investment. We are not earning anything like that now. The rates which we are asking for will yield us, we hope, 8% upon our investment; and, of course, the investment is of less value than the actual property itself. 8% has been named by the courts as being the minimum amount which corporations of this kind could
640 earn under these conditions short of hopeful,—that we may find some common ground upon which we can have the co-operation of this Commission and of the public of the state as will enable us to present such a picture to the investing public as will induce them to put their money in to this business and enable us to thus secure the necessary capital in order to serve the immediate demands *fo* *f*his state. The company alone cannot do this, this Commission alone cannot do this, nor can the public alone,—the telephone using public, I mean. There must be co-operation between the Company, this Commission and the telephone users of the state in order that the investing public may be induced to put its money into this business. I say to you frankly that I fully appreciate that if there is a lack of co-operation either on the part of the telephone users of the state or the part of the commission, that the company alone cannot secure this money. The best that we can then do will be to refer our application to the courts and ask them for the same ruling as has already been given in similar cases; and that, as we all know, gets no one anywhere. It merely make for delay and more expense. So, therefore, I hope that it will be borne in mind that between the adequate facilities that are so greviously needed in this State of Louisiana, between a contribution of the existing conditions and the getting of those badly needed facilities,—there stands the investing public; and we cannot get that investing

public to take action until the users of the telephone service in this state, this Commission and this company, all three together, join in and say to that investing public that this company is going to be given an opportunity—not guaranteed—but given an opportunity to earn at least as much as it has to pay for this money. Of course, no one wants to pay rates higher than they are paying. That is an axiamatic proposition; but the fact remains that unless all three factors that I have named go forward together and work together there can be no extension of the facilities of this company could come forward and put out its own money i-to these facilities and earn less than what it pays for that money. Now let
641 us assume for the moment that the telephone company was a philanthropic institution, and we, undertake to do that. How long could we continue it? How long could any institution exist under such a state of affairs? It is simply not possible. We are ready to do out part. We are asking for rates which will yield us only 8% upon our investment, and it is a less rate of return than we have a right to ask, under the decisions of the courts. One of the leading decisions in this country is a decision arising from a case that went from this Commission to the Fed-ral courts, wherein it was held that 8% was the minimum amount that a company would be required to earn upon the value of its property. Within the past sixty days a Federal Court in Texas has held likewise. Commissions throughout the country are holding that no company of this kind can be required to earn less than 8% on the value of its property, and that is true because generally the cost of money is today at least 8% for such industries as this. I make this statement, gentlemen, because I want, if I can, to make the public of this state understand, and this Commission appreciate the fact that we are willing and anxious to do our part. We have done it in the past. We are carrying our part of the burden now; and we expect to continue to carry it in the future, until conditions become more normal or more favorable, but we have com- to an impasse, and we might just as well admit it. It is not a question of what we would like to do, but it is a question of what can we do. The answer is that we will be unable to furnish facilities needed in this state for the service until this mateer has reached a satisfactory conclusion, carrying with it the seal of approval of all three of the interested parties; so that we may go to the investing public and say in a confident voice: "Now, let us have your money" because we are being given the opportunity to make sufficient money to make your investment safe." That concludes my statement, gentlemen. I have laid my cards on the table, Mr. Yundt, please take the stand.

642 Mr. Woodside: Just a minute, if you please. Has the company tried to finance itself by selling additional capital stock?

Mr. Chipley: That is what I have tried to tell you. We cannot sell it.

Mr. Woodside: Have you tried?

Mr. Chipley: Why, we have not tried in the past few days. There wouldn't be any use in trying now because our bonds are Quoted at 80. If you know of anybody that wants some, though, I'll appreciate your giving me his name.

Mr. Woodside: What is the stock worth?

Mr. Chipley: Our stock has no market value, but we will introduce in our evidence here a statement of the stock of every company in this country which is paying 8%, or as much as 8%, showing what its earning capacity is, and the market value of that stock is below par.

Mr. Brown: There is a whole lot of difference between the market value and the book value.

Mr. Chipley: Well, on that point we base our case not upon the stock or securities of this company. The company is capitalized as a whole and operates in four states; Kentucky, Tennessee, Mississippi & Louisiana; and so far as this case in Louisiana is concerned, we are asking that we be permitted to earn a given rate upon the investment,—the actual cash investment,—in our physical property in the state of Louisiana, without relation in any sense to security issues representing that property. We are not asking that we be permitted to earn upon the basis of our stock issues or bond issues, but only upon the actual cash investment in the state of Louisiana,—merely the original cost in dollars and cents of the physical property of this company in Louisiana. There is nothing to be included for going concern value or franchise value, or any other intangible value,—nothing but the actual cost of the naked, physical property which we have put here in this state and which is being used by the public and which is at the disposal of the public. I say, therefore, that the stock and bond, and other security issues, bear no
643 relation whatever to the issues before this Commission in this case.

Mr. Brown: How long has the company been doing business in this state?

Mr. Chipley: More than thirty years.

Mr. King: What is the present market value of the stock of the Cumberland Telephone Company?

Mr. Chipley: I have said that there is no market value of the stock. It is not on *eht* market.

Mr. Woodside: If you put some of it on the market it would sell above par, wouldn't it?

Mr. Chipley: Indeed it would not. Not if the present selling price of stocks whose earning capacity is greater than ours is any criterion.

Commissioner Long: What is the capitalization of the Cumberland Company, Mr. Chipley?

Mr. Chipley: $15,000,000.00 in bonds and $16,000,000.00 in stock, or approximately that.

Commissioner Long: That is in the four states in which the company operates?

Mr. Chipley: Yes sir, approximately that. It may be a little more than that. I am giving it to you only from memory. Mr.

Hoxsey has all of those figures at his fingers' end, though, and he will be glad to give them to you with exactness.

Commissioner Long: Do you know who owns the stock?

Mr. Chipley: Yes, sir—the American Telephone and Telegraph company. The stock of the Cumberland Telephone, Telegraph Company. We have a contract with the American Telephone and Telegraph Company, and it is due to that contract that we have been able to do what we have been doing for the past year or more. That contract will be fully explained by Mr. Hoxsey and a copy of it filed with the Commission; and the benefits and economies in operating which we receive, and which are reflected in our Louisiana operating expenses, will be fully shown. That contract has been before Commissions and courts time and again and within the last sixty days

644 a Federal Court in Texas has approved it absolutely. There is no mystery about it. Everybody who has any interest in matters of this kind knows about it; and those who are interested in these matters know that it is one of the most valuable assets of this company. Judge Jack, a Louisianan, I believe, is the judge I have just referred to who has recently passed on a case of this character, and approved that contract.

Mr. Ochs: Why cannot you do the same as other corporations are doing,—issue stock and sell it to the public, which is done every day. I see Armour & Company and Sears Roebuck & Company sending out circulars every day guaranteeing to people 6% or 7% or 8% on their money. Why can't your company do that; without coming to the state of Louisiana, and asking the public here to raise your rates to help you out of a hole?

Mr. Chipley: In the first place, there is a considerable difference between a public service corporation and trading corporations, such as you have named. I happen to know, from reading the papers, that Armour & Company has paid 10% for $60,000,000.00. Now, does it strike you as reasonable that we could pay 10% for $60,000,000.00 or any part of it, and earn less than 5%.

Mr. Ochs: I don't know what you earn.

Mr. Chipley: Very likely, we are going to show you.

Mr. Ochs: But you can't tell us what the book value of the stock is, and, therefore, we are at a loss to know whether you are making money or not. That is the point at issue now.

Commissioner Long: He will bring that out in his evidence, Mr. Ochs.

Mr. Ochs: Maybe he will, if they drag it out.

Commissioner Long: What is the rate of interest on your bonds, Mr. Chipley?

Mr. Chipley: 5%.

Mr. King: Do you intend to raise this mony by the sale of bonds or the issuance of additional capital stock?

Mr. Chipley: Both.

645 Mr. King: By increasing the capital stock?

Mr. Chipley: Yes, sir.

Commissioner Long: But it is your purpose to issue both stock, bonds and notes?

Mr. Brown: It make- no difference what it is. It all comes out of the general public.

Mr. Chipley: I beg your pardon, sir, it does not. It comes out of the investing public; and at this time the investing public will not furnish money for public utilities of this character in Louisiana, on the basis of present earning of this company.

Mr. Ochs: Your petition is to raise your rates, is it not?

Mr. Chipley: Yes, sir.

Mr. Ochs: Well that is the reason that I think, why most of us are here,—to protest against the raise in rates. I don't care where you get the money from.

Mr. Chipley: I feel quite sure of that, sir.

Mr. Woodside: How many telephones did you say were waiting to be installed in the State of Louisiana?

Mr. Chipley: Nine thousand.

Mr. Woodside: And I understand the purpose of increasing your rates is to provide you with funds to install those nine thousand telephones?

Mr. Chipley: No, sir, you are entirely wrong. Not a dollar of it is to be used for that purpose. The purpose of these increased rates is to give us sufficient earnings to enable us to go to the investing public and borrow such money as we require to make these improvements and additions.

Mr. Woodside: Then why did you mention the matter of new telephones to be installed in connection with you- application?

Mr. Chipley: Because those people are demanding service and we are unable to give it to them; and there is but one way that we can give it to them.

Mr. Woodside: And you haven't got the money to do that with now?

Mr. Chipley: No sir, we have not a dollar for that purpose.

646 Mr. Woodside: Then do you think it is fair to the present subscribers of the telephone system to call upon them to pay additional taxes to provide new services for people who are not now paying anything to the company?

Mr. Chipley: But that is not the situation, sir. I think I can make that clear to you: It is only fair that those who are now paying and people who will pay hereafter should pay a fair return on the property that is now used and that will hereafter be used in giving them service. We are not asking that they pay anything except a fair return on the value of the property that is devoted to their use.

Mr. Brown: A short while ago didn't you come before this Commission and get permission to advance your toll rates about twenty per cent? Wasn't that supposed to be used for maintaining and not for extending?

Mr. Chipley: Why, that is what it was used for—paying operating expenses.

Mr. Brown: So that the last advance in these rates was submitted to by the general public without any objectio*j* and submitted to by

this Commission without objection? You got authority to increase these rates,—isn't that correct?

Mr. Chipley: That is true practically all over the country.

Mr. Brown: Now you came out with a plea at that time that you needed this additional money for maintenance—that this money was to be used for maintenance. Where was that money spent?

Mr. Chipley: That money was spent in paying operating expenses and maintaining the property in Louisiana—all over the state and while we are on that point let me call your attention to this: That beginning with the war and going up to the present time railroad rates in this country have been increased seventy four per cent, while there has been no such advance as that in the telephone rates.

Mr. Brown: And most unjust.

Mr. Chipley: Possibly so, but necessary. The increases which we ask for, including the ones last year, and these, if granted, will increase our rates about 35%—nothing like the increases
647 which have been granted the railroads at all.

Mr. Brown: Are you asking for 35% now?

Mr. Chipley: No, I may explain, that if the rates we are asking for now are granted, that that increase, plus those granted last year, will be only 35% as compared with 74% that the railroad rated have been increased.

Mr. Brown: Is your Company under Federal Control now?

Mr. Chipley: No, sir.

Mr. Brown: Are the Railroads?

Mr. Chipley: No, sir.

Mr. Brown: Were the railroads under Federal control when these advances were agreed upon, up until the last one,—well you know when the railroads were returned? That was probably the reason for it, that is probably why the Commission, the State Commissions and Interstate Commission took that view, that owing to the fact that the railroads were under Federal control it was necessary to allow this advance whether they wanted to or not.

Mr. Chipley: The facts are, sir, that everybody in the country to-day realizes that it would have been a mistake not to take that attitude with regard to the railroads. I hold no brief for the railroads but I think that every well informed man in this country realizes today that it was a mistaken policy to starve the Railroads and treat them as they have been treated in the past. More people in this country have suffered from lack of service than they have through paying rates,—whether it be telephone or railroad. There is another thing and that is when the railroads were turned back to their owners, without any opposition, both the democrats and republicans,—no party division,—they were guaranteed a certain return on their investment. During the period of Federal control they were guaranteed what is known as the standard return, and after they were turned back to their owners they were guaranteed rates sufficient to enable them to earn a certain return on the property. Now the telephone companies and other companies and industries of that character have had no such guarantee whatever.

We did not ask for any such guarantee. We felt that we were safe in the hands of the state. If we do not get it then we will
648 learn that we would have fared better if we had gone under the jurisdiction of the Federal government. This is an important matter to us and if you will consult the nine thousand people who have no telephone service today, and who are clamoring for it today, I believe that they will agree with me that it is an important matter but to give them service and to give you service, we must have rates.

Mr. King: Is the increased cost of money or the increased interest rates on money the only reasons that you have for asking for this increase?

Mr. Chipley: Absolutely, yes, sir. If the investing public will take 3% for its money,—why then,—a return of 3% is a reasonable return. There is no question about it at all. If they are willing to take one per cent on their money, then that is a reasonable return. They are the people who absolutely control it.

Mr. King: You- pamphlet and advertisement, I believe, said that increases in the wages and the cost of materials that you use was one reason why you must have increased rates.

Mr. Chipley: That is one reason why the rates have to be increased, yes,—because the old rates are not paying expenses.

Mr. King: That is what I asked of you: Is the increase in the interest rates the only reason that you wish these rates advanced?

Mr. Chipley: Well, necessarily, it does play a part in it, yes. The rates have to be increased until they reach a point where they are sufficient to show some return, and what the return is or must be, depends upon the amount of money,—whether it is reasonable or not.

Mr. King: Then the increase in the price of materials has some effect upon your application?

Mr. Chipley: Oh, absolutely, yes sir, because it is necessary to have money with which to purchase this material, and unless that material goes into a plant whose earnings are going to be sufficient to pay operating costs and leave a reasonable margin over and above that, we cannot secure the money with which to buy the ma-
649 terial. That is self evident.

Mr. King: And that was at a time when prices on every material of every kind was at the peak, wasn't it?

Mr. Chipley: So far as our purposes are concerned we have not found that there is much difference between the prices of today and them.

Mr. Brown: What is the estimated amount that the Cumberland Telephone Company figures they will get out of the State of Louisiana providing these advanced rates are allowed.

Mr. Chipley: I cannot give you that figure. Mr. Hoxsey, one of our witnesses, will explain that to you fully.

Mr. Brown: Well, approximately how much.

Commissioner Long: Gentlemen, if you will pardon me interrupting you, I think you are asking Mr. Chipley for Information that you should properly ask for from witnesses on the witness stand.

I doubt if he has all of this detailed information in his head as his other witnesses probably will have.

Mr. Chipley: Oh, I have no objection to answering any questions that I can, Mr. Commissioner, but some of these are a little outside of my line, and I am unabe to answer them. I assure you and I assure the gentlemen that have just questioned me *me*, that we will be able to satisfactorily answer any question that they may put to our witnesses.

Commissioner Long: I think, Mr. Chairman, that we had better go ahead and hear this testimony in the regular way. We are having nothing but a lot of discussions here. You can make a memorandum of what you want to ask these witnesses, Mr. Brown, and then put your questions to them when they get on the stand.

Mr. Brown: Very well, I will withdraw my question.

Chairman Taylor: Yes, I think we better proceed with the case in a more orderly way. Call your first witness, Mr. Chipley.

Mr. Chipley: Mr. Yundt, please take the stand.

650 Mr. GEORGE J. YUNDT was called as a witness, and having been first duly sworn, testified as follows:

Chairman Taylor: Proceed, Mr. Chipley.

Mr. Chipley: Mr. Yundt what is your position with the Cimberland Telephone and Telegraph Company?

Mr. Yundt: I am a Vice-President of the Cumberland Telephone and Telegraph Company, and in that capacity have general charge of the operations of the property and for the furnishing of telephone service.

Mr. Chipley: How long have you been in the telephone business?

Mr. Yundt: Twenty-one years last August.

Mr. Chipley: And the nature of your experience?

Mr. Yundt: Well, I say the telephone business,—my experience has been in engineering lines, in construction work, and in the maintenance of telephone plants; also in traffic operations of switchboards,—that is overseeing the forces that make the connections. I was Chief Engineer of this Company for a number of years, and about a year and a half ago I was appointed one of the Vice-Presidents of the Cumberland Telephone and Telegraph Company, and given general charge of all operating matters.

Mr. Chipley: Mr. Yundt, is a telephone property ever a completed property?

Mr. Yundt: A telephone property is never a completed property. We might even assume a telephone plant in a city which is not growing, but even then there are changes in business conditions, and in social conditions. People die, and babies are born, and there is a change in the property and in its distribution in that city. Then, too, the service requirements of the public requires improvement in the art, and changes in the facilities with which service is rendered.

Mr. Chipley: As a matter of fact then, as we know the operations of a telephone plant, additions are made annually to the property.

Mr. Yundt: Yes, sir, ever since the telephone was first invented

and then made of service to the general public it has been
651 growing and growing in its size and in its use, and for the past forty years it has been continuously growin-, and every indication points to a greater and greater use of the telephones in the future.

Mr. Chipley: Now, what was the practice of the company prior to government control and taking over of the lines with regard to furnishing facilities?

Mr. Yundt: Before telephone facilities can be provided to meet the needs of the public they must of course, be engineered. Estimates must be made, material and supplies must be contracted for and ordered, and then men must assemble all of those things on the ground where the service is to be furnished. A telephone plant cannot be made in a factory and used there. It must be made right where it is going to be used,—assembled there and put into service relations. Now, all of this takes a great deal of time. You must first look the city over and find out what section of the city needs these facilities, how much do they need,—what is the property or kind of plant in a city or a given section. That in itself presents various problems. Can a plant that is in a section be expanded, or will it have to be taken out and a new plant put in? Those of course, are just some of the problems. Then, the engineering being done, the money is of course arranged for, if possible, and orders are then placed, and when the material arrives construction work is commenced. In some cases this takes as little time as a period of six months; in other cased it takes two to three years, depending on the kind of project. If it be a non-combustible building of some dimensions, and a very large switchboard, such as is in use in New Orleans, in the main building, it takes two to three years to carry out such a project from its i-ception to the date of rendering service through that facility. Now, all of this means that the facility must be provided in advance of the day that a man comes there and asks you for telephone service. To that extent the Telephone company must forecast the needs of the public and it must produce such plants in such way that it has a good general use of it—that is to
652 say, that if some man in a particular house does not want a telephone, but some other man adjacent thereto, or in the next block, does want a telephone, the plant will equally serve for him, except as to the station, and some wire. Now, prior to the war, of course we provided this plant in advance so that as people applied for telephone service they could get it, and we always had a margin of facilities. Of course, it is obvious that no one can say whether there will be ten or twelve people in a given *blace*, in a given year who will take service, or where people will move to. So there was necessarily a margin in the line plant. In the switchboard we need a margin because of the variation in the demands for service. People at one time *fo* the year may originate many more calls per station per day than at other times, and so there must be a margin there on these switchboards to take care of the peaks, or the variations in the traffic load.

Mr. Chipley: Now, Mr. Yundt, when the government turned the property back to the company, with reference to construction of facilities, how did the company find itself situated?

Mr. Yundt: I should like to say that during the period of government control there was, of course, almost a cessation of additions. That was natural. The Government was concerned with the winning of the war. We all were. They needed cables and they needed wire and they needed switchboards, with which to maintain communication. During the war they were not concerned so much about facilities at hoje for the ordinary telephone purposes. So, after two years practically of war and government control part of the time, the ficilities were exceeded, and when the property came back to the telephone company last year, all of the facilities,—well, not all,—but a large part of the spare facilities had been consumed, and, what was more important, and what had bigger effect upon the service of today, was the fact that nobody had any knowledge of when the property was coming back to the owners, which resulted in a condition of no forecast and no orders placed for equipment and other materials, which take time to produce.

Mr. Chipley: What has been the number of stations added to the property in Louisiana during 1919-1920, and how does it compare with past performances of the company?

653 Mr. Yundt: On that point, I should like to introduce an exhibit. I now introduce my Exhibit No. 1.

(The exhibit so offeret and identified, was thereupon received in evidence, and marked Yundt's Exhibit No. 1.)

Mr. Chipley: Go ahead and explain your exhibit, Mr. Yundt.

Mr. Yundt: My exhibit No. 1 bears upon the number telephones in service and discontinued, and the net gain, in the state of Louisiana for the past seferal years. The public measures its service largely by the number of telephone stations that it wants and gets. Now I have shown here that in the two years prior to the war years, the year- 1915 and 1916, there was 21,111 telephones installed; there was 15,031 telephones discontinued, producing a net gain of 6,080 telephones, that gain being the difference between the telephones installed and the telephones discontinued. That was an average of 3,040 stations per year. Now the next line shows what took place in the two war years,—the years 1917 and 1918. There were 14,517 telephones installed 12,186 telephones discontinued, and 2,331 telepho-es gained, or 1,166 per year on average. Now, the average gain for those four years was 2 1-3 stations per year on an average. Now, since the war——

Mr. Barrow: Is that per year or the total?

Mr. Yundt: Two thousand one hundred and three stations gained per year on an average for each of the four years. Now, the year 1920 is not yet over, but we do have data on eleven months of it, and so for the year 1919 and eleven months of 1920 we do know that we put in or installed 25,470 telephones, and we discontinued 12,235 telephones making a net gain of 13,235 telephones. Now,

I am assuming for one month, this month of December,—and the month of December is a lower month that the average for the year, —that we would have 26,410 telepho-es installed and 12,790 discontinued, or, 13,620 telephones gained, or an average of 6,810 per year. Now, what I want to bring out right here is this: 2,103 was the average number of stations gained for the years during the four year period from 1915 to 1918 and 6,810 was the average number of stations gained per year during 1919 and this year of
654 1920. You will observe that this recent rate of growth is 3¼ times the previous rate,—for every telephone installed there is required a portion of a switchboard, a portion of a cable, a portion of a pole and a portion of everything else that is common to a telephone station.

Mr. Barrow: You mean by "Station" an instrument actually placed in use in a building?

Mr. Yundt: Yes, the apparatus that is used, the whole thing that the subscriber u-es. But what is more important from the standpoint of the telephone company is this: That this growth of 6,810 stations per year last year and this year is six times the rate of growth that we made in the two previous years, which shows that during the government control period and during the war period our forces and our facilities and all that goes into the conduct of our business was disposed of and arranged on a basis of a telephone growth of around 1,166 stations; and we were suddenly confronted with a situation where we had to build or take care of a demand that was six times as great.

Commissioner Long: That is the War,—the war period?

Mr. Yundt: Yes sir; we *we* had to gain very rapidly to take care of the demands that were rushed upon us, and also we were using all our facilities at a very rapid rate. If under a normal program you are providing switchboards, cables and other facilities for, say, two or three thousand stations a year,—expecting that many next year, and suddenly you are confronted with a demand for six or seven thousand stations, the facilities which you have ordered in the previous years will not suffice for the year in which you are attempting to con-ect them.

Mr. Chipley: Now, to make this net gain of 13,235 telephones in Louisiana during 1919 and eleven months of 1920, you had to install 25,470 stations and discontinue 12,235 stations?

Mr. Yundt: Yes, that is correct.

Mr. Chipley: Just briefly point out the relation or what that means in the way of investment, expenses and cost?

Mr. Yundt: Well, firms go out of business and people move, etc., which brings about the discontinuance of a telephone at a
655 given location. Now, we had to put in so far this year and during 1919, 25,470 stations. Each of those, of course, involved the use of apparatus and telephone plant of all kinds and required that the plant be extended to care for the stations that were so connected. Does that cover your question, Mr. Chipley?

Mr. Chipley: Well, what I wanted to bring out was that to make a net gain you have got to construct or do more work than is merely

involved in placing those instruments responsible for the net gain because you had to disconnect a certain number, all of which is done at a cost, of course.

Mr. Yundt: Yes, of course, every telephone installed cost money and the number you install is a measure of the rate of expenditure. Now, I think there is a very important point right there: On the second page of that exhibit I show this telephone performance for each year, *fna* it shows that for the four years, 1915 to 1918, inclusive, there were 4.24 telephones installed and 3.24 telephones taken out to result in a gain of one telephone station.

Commissioner Long: I have noticed that. Just what does that mean?

Mr. Yundt: It means this, that for every telephone that you gain you have.—that you have permanently added to the system you put in 4.24 telephones and take out 3.25 telephones.

Commissioner Long: I just want a basis for a little figuring. Wherever you put in 4.24 telephones your net gain was one telephone station?

Mr. Yundt: Yes sir, and you have the expense of taking out 3.25 telephones. Now, during the year 1919 to gain one telephone we only had to put in 1.86 telephones and discontinue .86 telephones, *showing we did very much less work in putting in and telephones,* showing we did very much less work in putting in and taking out to make the gain. The answer is, of course, that during government control and during the war only those who really needed service and had to have it, secured the service and they were more or less permanent. Then, too, business was on a sounder basis. There were very few failures. Now for the eleven months of this
656 year we find that it takes two telephones in and one telephone out to make a net gain of one telephone station. It is beginning to crawl up as we get facilities.

Commissioner Long: Now*l* as you get up,—take it as the present-time,—as you put in one, you take out, you might say, two-thirds of a telephone, and the way it used to be, on*e* your basis, wherever you put in one telephon- you took out four-fifth- of a telephone, approximately. Now when you put in one you take out two-thirds. Is that the way it figures?

Mr. Yundt: No sir, yiu use*e* to take out three-fourths.

Commissioner Long: Well, you take out one-half as many now,—Oh yes, I have it now.

Mr. Yundt: You used to take out three-fourths, and now we take only one-half, but what I want to get before you is this trend in the business: As we began to add telephone*d* and *ofree* the supply of service there are more and more people going to be able to take on telephone service. They will not have to han*f* on to them so tight, and the result is that we are going to have a larger turnover of stations. There will be more stations in and more stations out for a net gain to the system. Now this turnover in the cities,—putting them in and taking them out,—is a matter of current expense, and we are gradually reaching that point — there must be four telephones handle*s* athat is three out for one in in order to make

a net gain of one, which of course, means that that particular expense is incurred two or three times. It is several cents per station per month. It is just one item however.

Mr. Chipley: Mr. Yundt, now, in making this unusual gain in the number of station- that effect did it have upon your parsent exchange facilities?

Mr. Yundt: Well, as I brought out, during the period of the war, there were no committments made for facilities which could be put into service to take care of the demand in 1920, but here came this great demand for telephone service. The incomes of people have been liftee way up and the matter of the telephone bill
657 was a very small item in their total imcome as compared to waht it used to be. So they wanted the telephone service, tna this servivice which they demanded then exceeded all of the facilities that whti working lines; and we have gotten to that point in our cable where of lightning destroys a pair of those wires we are hard put to put that man's telephone back into service, whereas before the cable for just such emergencies, but today there is no such emergency reserve available.

Mr. Chipley: With your present facilities will you be able to put in any material number of new stations in Louisiana?

Mr. Yundt: No, we have this unusual condition; that we have thousands of applications actually on file in the offices from people who want service, and we cannot con-ect them until somebody discont-nuees or until some plant is provided to take care of them.

Mr. Chipley: What is the relation between having available spare facilities and efficient service?

Mr. Yundt: In order that you may have telephone service of a satisfactory kind, and that it may be efficient from the standpoint of the user, you need spare facilities in the central office to care for sudden increase in the calling rate; or if a man moves from one part of town to another, and he is already a telephone subscriber, he certainly feels that being a customer of the telephone company and having contractural relations for telephone service with the company, that because he moves from one part of town to another he should not be required to give up th- telephone which he has previously enjoyed. Yet that has occurred. Then, in case of trouble, there must be, as I said, some spare plant everywhere to care for destruction of the lines or disturnbances on the lines, or any condition which may affect the service.

Mr. Chipley: Then, both readiness to serve and efficient service are dependent upon available plant facilities?

Mr. Yundt: Yes sir, unqualifiedly so.

Mr. Chipley: And we are not in position and will not be until we make additional construction of the facilities in Louisiana
658 to have a readiness to serve sufficient to meet the demands or to furnish the pre-war standard of efficient service?

Mr. Yundt: No, in order to give what we call such service and what the public generally call good service, for the present number of subscribers should be large additions to the property. We have not enough switchboards for the present subscribers to give them

satisfactory service, and we have not enough lines plant- on the outside to satisfactorily serve the public.

Commissioner Long: As I understand the situation now you cannot put these additional people in, or give them service, because of the fact that the cables have no additional wires in them that are not in use.

Mr. Yundt: No, you take one hundred pairs of cables and put one hundred pairs in actual use, and that is an end of it.

Mr. Barrow: Is that -rue with the swirchboards, also, Mr. Yundt? Are they filled up?

Mr. Yundt: Yes, sir the switchboards pretty generally throughout the state, and particularly at all of the big cities, are not large enough in the number of positions to place there a sufficient number of operators to promptly handle the service and give the calls attention which they should have to give them the grade of service which we always have furnished in the past and which we would like to furnish now.

Mr. Barrow: Well, what I had in mind, is this, you do not object to my asking him, do you, Mr. Chipley?

Mr. Chipley: No, certainly not, go ahead.

Mr. Barrow: Take a switchboard at Baton Rouge, is there a given relation between the capafity of that switchboard and the capacity of the outside lines? In other words, is there more switchboards than you have outside facilities, *are* is the reverse true? I am not asking you specifically you understand, but just in a general way.

Mr. Yundt: Well, pretty generally, we are short on both. I do not believe we have any exchanges,—I know, and I can say definitely, we have no exchanges of any importance, that is more
659 than several hundred stations in the state of Louisiana where we are no- short of facilities to give the grade of service that we should like to give the public and that they desire, for the number of stations that are now connected. In New Orleans we should increas- those switchboards at least ten per cent. In positions there is no place at the boards at present to put additional apparatus, and the natural result is, of course, that because of the congested condition of those boards one operator is required to handle more calls than she would be were additional switchboard space available, and the natural result is the slowing down in the service.

Commissioner Long: I have understood from some source or other,—I don't remember just where now,—that your company had acquired an automatic telephone patent,—that a man simply walked up to a telephone and put his finger or a pencil in a dial and moved it to the number that he is calling and then the party on the other end,—the called number,—responded, without any operator having to make the connection? I had understood that you had perfected such a patent or had obtained one before the war that is was in practical operation. Is that a fact?

Mr. Yundt: Well, what you ask me brings up two things that I would like to explain. I will bring it out now. Prior to the war the telephone company got practically all of its telephone transmission appraratus,—and etc., switchboards and etc.,—manufac-

tured by the Western Electric Company. Since the war we have been buying not only from the Western Electric Company but the Automatic Electric Company of Chicago; from the Strombert-Carsson Company, at Rochester, New York, and from the Kellogg Switchboard & Supply Company—all four of them,—hoping in that way to get sufficient material to come somewhere meeting the demands that we have been faced with.

Commissioner Long: You finally bought some from Kellog's, did you?

Mr. Yundt: Why, yes, sir, in the City of Nashville, being short of switchboard facilities, we had the Kellog Switchboard & Supply Company installation crew putting in some of their boards and a Western Electric crew, that furnished that board, putting in
660 some of their boards, all trying to do something to help out.

Now, take the next point,—I merely brought that out to show how accute is the matter of the shortage of switchboard and other telephone plant facilities. Now, about the Automatic Electric Compsny,—As I have said the telephone business is growing very rapidly and the demand for telephone service is extremely heavy and growing daily; and that service can only be rendered, so far, by operators,—young women,—rendered best, that is, by them. We are approaching the day when it will be difficuly to render the vllume of servece that the public wants with operators. Next, they rather object to working Sundays, holidays and nights. They are young women in courtship days, and they do not like to miss their picnics and other social affairs. They are averse to undertaking telephone work and that makes it very difficult for us; and then, too, in this Southland, where the negro is a large percentage of the population, you can see that that class is not available to draw on for operators. They are a working class,—if they were all white people their daughters would be excellent material for our purposes, but out supply is cut down nearly one-half by the reason. Therefore, the only thing that we see is to put in maciinery that will make these connections, or a large part of the connections that are now made by the young women. There is an economic side to the question; the machinery costs about one hundred dollars per station for just the central office element, whereas the present type of board costs us about forty dollars per station. Now, it is a matter of wage rates, interest, taxes and insurance applied to the manuel switchboards as against interest, taxes, insurance maintenance, depreciation and etc., applied to the higher priced machines, as to which will render the cheaper service. We believe that operators' wage rates, which have now more than doubled in the last four or five years, are still not as high as they are going to go. Now, at a wage rate of about $12.00 per week to start,——

661 Commissioner Long: How many do you pay that, what per cent do you pay $12.00 a week?

Mr. Yundt: I should say that, well, $12.00 per week is the student rate up to the end of the third month.

Mr. Chipley: Explain what you mean by the student rate, Mr. Yundt.

Mr. Yundt: Well, when a girl is employed, she must of course, be taught the telephone business, and,——

Commissioner Long: I understand that at Shreveport you pay $45.00 per month.

Mr. Yundt: Well, let me see. The rate in New Orleans is $12.00 a week to start and $17.00 at the end of *sixth first* month. Now, in addition t*ha* that, any girl that works up to eight o'clock gets one dollar per week extra.

Chairman Taylor: Working from what time?

Mr. Yundt: I say that any girl that works up to eight o'clock in the evening.

Chairman Taylor: How many hours does she put in altogether?

Mr. Yundt: Well, I will come to that in proper time, Mr. Chairman. Those that work after eight o'clock get two dollars per week extra, and those that work at night get two dollars a week extra. So, the average wage rate is about one dollar and fifty cents to one dollar and sixty-five cents above this rate. Now, what was your question, Mr. Chairman?

Chairman Taylor: I asked this: The girl that works until eight o'clock, how many hours does she put in?

Mr. Yundt: A girl works seven and one-half hours per day, six days a week.

Chairman Taylor: Then if she works overtime, what,—what I want to get at is this; she goes on at seven o'clock and works seven hours and a half. Then when will she quit work?

Mr. Yundt: It depends entirely,——

Chairman Taylor: Give that to me again.

Mr. Yundt: The point is this, between seven o'clock in the morning and six o'clock in the evening, of course, is the most
662 desirable period for working, and the climb to seventeen dollar scale applies to that period. Now, to work after six o'clock and up to eight o'clock is a less attractive assignment and so we give them one dollar a week extra to work during that period, th*a*ogh they work no more hours. Now, New Orleans and Shreveport have *have* the highest wage scale. There are other towns in which the wage rate may be one or two dollars a week less. Of course, the community generally fixes the wage rate.

Chairman Taylor: What *has* a community have to — with a telephone wage scale?

Mr. Yundt: It has this to do with, Mr. Chairman: If the people in a community pay a certain rate rhat makes it necessary that we pay an equally attractive rate if we are to secure the services of the necessary employees, and we have always tried to pay that wage which draw- a sufficient number — a satisfactory grade of people to our employ*ee*.

Mr. Chipley: Now, Mr. Yundt, unless the Commission has some further questions on the matter of wage scale, please go back to the proposition of the volume of service. Take up the question of the volume of toll service, please.

Mr. Yundt: In connection with the matter of toll service in the State of Louisiana, and its volume, I will introduce my Exhibit No. 2, which bears on the subjects.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Yundt's Exhibit No. 2.)

Mr. Chipley: Go ahead Mr. Yundt.

Mr. Yundt: This shows by years, from 1915 on up to the year 1920, the number of toll messages that were completed and which originated in the State of Louisiana, handled by the Comberland Telephone and Telegraph Company. The first column, of course, is the year, the second column of the exhibit shows the total number of messages that were completed in that year. The second column shows the average number of exchange stations in the State of Louisiana, of the Comberland Company,—that is the
663 mean of the stations at the first of the year and at the end of the year; and the third column shows the average number of messages per station per year. Now, that shows that during the year 1919 there was 42% more toll traffic handled in the State of Louisiana than there was in the year 1915, and so far this year, from the actual data on hand for the first eleven months, it looks as though it will be 58%, all of which is a measure of the demand for long distance service.

Commissioner Long: I thought this was for local service, Mr. Yundt?

Mr. Yundt: No, this is toll service, Mr. Long.

Commissioner Long: Do you mean that this is merely the long distance service?

Mr. Yundt: Yes sir.

Commissioner Long: Per month?

Mr. Chipley: What was the total number of toll messages completed for the year 1915, Mr. Yundt?

Mr. Yundt: 1,771,467.

Mr. Chipley: What was it for the year 1917?

Mr. Yundt: 2,425,829.

Mr. Chipley: What was it for the year 1919?

Mr. Yundt: 2,524,567.

Mr. Chipley: And for the first eleven months of 1920?

Mr. Yundt: 2,569,052.

Mr. Chipley: What is the estimated total for the complete twelve months of 1920?

Mr. Yundt: The estimated total is 2,802,600.

Mr. Chipley: There has been, then an increase in the number of toll messages we send every year has there not?

Mr. Yundt: Yes, sir: Now, there is one thing I want to bring out in connection with that. If you take the right hand column you will find the number of toll messages per station for the year. It shows that for the year 1915 there was an average of 37.3 messages per station per year.

Mr. Chipley: That means that for each exchange station in the State of Louisiana there was an average of 37.2 toll messages during that year?

664 Mr. Yundt: Yes, sir, and durnin- the year 1916 there was an average of 41.8 per exchange station per year. For the year 1917 it was 45.7 toll messages per exchange station per year.

For 1918 it was 44.9 toll messages per exchange station per year. In 1919 it was 43.2 toll messages per station per year; and so far this year the figure is 42.9 toll messages per exchange station per year.

Now, I want to bring out that in the year 1917—and that was the year of the greatest number of toll messages per exchange station, and it has been falling steadily ever since,—now during 1917, of course, the war came on and there ware various activities. People shifted about and sought new occupations aand changes business, and there was naturally a lot of toll business. There was a coal shortage, a lumber shortage, and there was a shortage of practically everything else, and all of that, of course, had a tendency to increase the toll business. As general business in now settling down however, and as we gain in telephones and again have a fuller service the messages per station will fall, but it has this effect, that the fewer toll messages per station, the less opportunity is there for revenue per station.

Commissioner Long: For long distance calls, you means?

Mr. Yundt: Yes sir.

Commissioner Long: As an experienced telephone man, wouldn't you say that it is likely the local calls per station will decrease with the decrease in the long distance calls? In other words I mean this: The local calls, of course, per station will be twn or twenty times what the long distance calls per station are, won't they?

Mr. Yundt: Oh, yes, fully that.

Commissioner Long: Now, what I want to get at is this: If they drop off an average of one or two, or three or four or five or ten per cent for long distance calls per station, isn's it fair to assume that there will be the same percentage dropping off in calls for local purposes?

665 Mr. Yundt: Yes, sir, the number of calls per station to-day for exchange service is less than it was during all of these bond raising campaigns and subscriptions to the Red Cross, and during the fuel shortage and etc. Naturally, that is true, but is not down to a normal basis even yet. The toll business had not yet come down to what we think is normal.

Mr. Chipley: Is the toll plant congested by reason of the present volumn of business?

Mr. Yundt: The toll plant was inadequate up until a few months ago for the volumn of toll business that was offered the company. Now, the additions we made last year and this year have improved the situation somewhat, and the falling off in toll calls has also lightened the load, but there — still many lines between centers that are still not relelved, but on an average for the company as a whole, it is my best information,—I mean the information that I know most about, there is a decided improvement. We know we are completing more calls per hundred than we have for a couple of years.

Mr. Chipley: Now, Mr. Yundt, what has the company done with reference to providing additional facilities during the year 1920?

Mr. Yundt: In the matter of telephone facilities provided in Louisiana during the year 1920, I would like to introduce Yundt's Exhibit No. 3.

(The exhibit so offered and identified, it was thereupon received in evidence and marked "Yundt's Exhibit No. 3.")

Commissioner Long: Now, Mr. Yundt, let me ask one question. I think your testimony is very fair and impartial on that point, and I want it in the record. As I understand your testimony business is now settling down on a former basis, to a point where the long distance factilities, which during these mad money spending months were inadequate, but they are now getting down to a point, or soon will be, while they may not be entirely adequate to take care of the business, they will be much more nearly so than they have been for a couple ofr three years past,—is that correct? I mean
666 the, long distance facilities, of course.

Mr. Yundt: Yes, sir, it is pending that way, but it is not quite there yet.

Commissioner Long: In other words, the settling of the times, and the getting back of the people to a more sane and normal level naturally reflects itself somewhat in the amount of both local and long distance calls which your company is called upon to handle?

Mr. Yundt: That is true as to the calls per station, Mr. Commissioner.

Commissioner Long: Now, taking it on the basis of local calls, in view of the question which you answered a minute ago, it could also easily be probable or possible, and will be, that the local calls also will go down to where the number of calls per station per day will be more nearly normal than thas existed during this big rush of business diring the war and just following the war?

Mr. Yundt: As a matter of fact, for the State of Louisiana, the exchange calls are now a little under the average of the past three years.

Commissioner Long: They are now?

Mr. Yundt: Yes, sir, bicause of the business recession, and the freer supply of material. All of that has had a tendency to diminish the calling rate per station per day in Louisiana. All of that, of course, is very healthful in keeping the service as good as it is. If the peak load had continued, I don't know,—I just don't know just what kind of service we would have,—it would be far worse than it is to-day, though, I can assure you.

Mr. Chipley: Mr. Yundt, refer, if you please, to your Exhibit No. 3, and explain it to the Commission.

Mr. Yundt: I think that I have already introduced my Exhibit No. 3 but I have not commented upon it. This deals with the providing of telephone facilities in Louisiana for the year 1920. This sets out that in accordance with our practice of forecasting a year or two years in advance the facilities to care for the next year's business, we estimated that $1,369,127 would be required in Louisiana in the year 1920 ro care for the most pressing telepnone needs.
667 There was no need, or rather, no good in making an estimate of everything that was needed, because there was not a supply of switchboards and cables and other mateirals available in that volumn, but these were the most pressing need and *out* plans contemplated that we could get away with that amount of work. Now, that estimate was made last November,—November 1919. During

the summer we reviewed that estimate and we found that it would cost us in round figures $1,560,000.00 the increase being brought about, to some extent by advanced labor costs then, also, then freiht rates were going to be higher. So far this year, that is eleven months, and estimating it for one month, we will spend $1,400,00.00 of that $1,560,000.00, making it necessary to do in the year 1921 some of this work that we had proposed to do in 1920. We just didn't receive the switchboard, or didn't receive the cables or other material.

Commissioner Long: That was a manufacturing shortage, I suppose, due to the shortage of labor to a large extent?

Mr. Yundt: No, it was not that som much, but the demand of all telephone companies upon the manufacturers of telephone materials was three and four times what it used to be, and before they could serve that demand they had to build buildings and they had to make machines, and they had to make dies, and gather people and train them in these particular lines of work, and naturally that could not all be done in the course of one year. One concern, the Western Electric Company, at Chicago, has, as I recall it, *has* expanded their forces from 25,000 people last year in their factory to more than 31,000 this year. Then, what was really serious, was this: We were under way in the receipt of cables and other things when on came the switchmen's strike, and other strikes and these plants were stopped. When they resumed, of course, there was a *stotted* flow of supplies, and it was not until September of this year that we began to get a ready flow of material again. That set us back about four months.

668 Commissioner Long: You were very luchy that it did set you back, because if you had constructed these plants with the shortage of labor that existed a year or so ago, it would have cost you a great deal more than it is going to cost you now.

Mr. Yundt: I am talking about this year. No, you are wrong, sir, because if we could have built it last year or a year before it would have been cheaper than today.

Chairman Taylor: Why?

Mr. Yundt: Because of the fact that wage rates are higher and freight rates are higher, and other things that enter into service are still higher. You see, it is this way: suppose that we ordered switchboards and other supplies in the spring. That man bought his raw material and he bought his machines, and he lined up his forces all on that date. We were not to get that switchboard until next year, and so, next year, when we get those things, we will be paying prices for them based upon the raw material market and the labor market of this year. It will be two years before there will be full reduction in all lines. On certain other lines of maaterial like hard drawn copper wire, when we buy it today it is sold to us at a price of copper paid on the market which would be, say, 13.25 cents per pound plus freight and drawing and refining charges.

Commissioner Long: I don't like to keep interrupting you, Mr. Yundt, but there is certain information that I would like to have

right early in this case. What are your yearly gross earnings in Louisiana,—your gross earnings?

Mr. Yundt: Why, I have not that information, sir. Mr. Hoxsey will have that. I am sure it is here Mr. Hoxsey will explain all of these financial matters. I am not familiar with them myself.

Commissioner Long: I thought I had seen it somewhere in this pamphlet. Yes, here it is.

Mr. Viosca: I have it here, Mr. Commissioner, it started in 1912 at $2,621,650.00 and went up until it reached in 1919 $3,871,325.27.

Mr. Brown: Are those the gross receipts?

Mr. Viosca: Yes sir.

689 Mr. Chipley: Now, while you are on that, turn to page 15-16, and you will find that in 1919 the investment increased $1,377,4200 and the gross revenue only increased $829,856.00 over the year 1917, and that company earned during 1919, $199,026.00 net revenue. So those figures there don't mean much in that sense.

Mr. Viosca: Well, I just gave your own figures to the Commission, Mr. Chipley.

Mr. Chipley: Oh, yes, they are our own figures al- right, but in that sense, they don't mean much.

Mr. Yundt: I would like to repeat or to read into the record here some items that enter into this construction program for one year for one thing, the State of Louisiana. This program which we proposed for the year 1920, and which has practically been carried out, required 7,300 poles; 18,000 treated cross arms; 470,000 pounds of bare cop-er wire; 90,000 pounds of galvanized iron wire; 6,000,-000 feet of insulated station wire; 21,000,000 conductor feet of cable; 88 switchboard positions; 8,500 subscribers, stations instruments, and 7,500 desk stands.

Mr. Chipley: That means that all of that material and apparatus would have to be assembled,—would have to brought in the State and assembled at the various plants in Louisiana during the year 1920?

Mr. Yundt: Yes, sir.

Mr. Chipley: And at the end of 1920 we will have added to our investment to furnish telephone facilities for the public one and a half million dollars during the year?

Mr. Yundt: Yes, sir.

Mr. Chipley: Now, just a moment, to go back: while the exchange calls per station and the toll calls per station are somewhat les- than they were, that does not mean that there is any reduction in the demand for service, both exchange and toll, does it?

Mr. Yundt: I tried to make that clear. No, it does not, because we have so manh more stations now than we had, and naturally, even at a lesser rate per station it would make a greater aggregate which must be handled by the toll lines and the switchboards.

670 Mr. Chipley: Now, Mr. Yundt, when we have finished spending, and have spent all of this one and half million dollars for facilities during the year 1920, what will be the situation here of the company in the State of Louisiana with reference to the

demand for service and facilities with which to supply them? Take up first what will be the demand.

Mr. Yundt: We are right now in the middle of the month of December, 1920, and we know how we have progressed with our program. We know what stations we have connected, and we also know what is the unserved demand. That is set out in my Exhibit No. 4, which I now file in evidence.

(The exhibit so offered and identified, was thereupon received in evidence and marked "Yundt's Exhibit No. 4.")

Mr. Yundt: There are ninety-five telephone exchanges in the State of Louisiana. Now, a list of all of them would have made such a big exhibit that I had the exchanges all consolidated under the principal towns in a given district, and I listed them under the head of "Alexandria and its surrounding territory," "Baton Rouge and its surrounding territory,"—Lake Charles, Monroe, New Orleans, City, New Orleans, outside; Shreveport. This shows in the first two columns the number of applications for telephone stations that are on file with the Company and which people have made—signed applications on file for service to be rendered at some one of these ninety-five stations; and it shows that the total of those applications for exchange telephone service is 6,827. Now that was as of December first. I think the same day we had issued 427 orders against that demand of 6,827 applications,—that is it was possible to install 427 stations out of the total of 6,827 applied for. Because of the shortage of facilities we do not even have pole lines and wires to certain sections of cities that have been developed recently, or all of the lines are already in use in certain localities, or the switchboards are filled, and necessarily there will be a long delay before the applications can possibly be served. Now, I call your attention to the fact that these applications are actually signed and on file in the various offices throughout the State. In addition to that there are a great
671 many of those who come to the offices and make requests for telephone service, and upon being advised that their application will be subject to indefinite delay they simply walk on out and make no written application. We have kept a tally on those people, and there are about, a-d we have it from this tally, 2,396 people in addition to the 6,827 who would take service if we could give it it to them. So, it is reasonable to assume that there are more than nine thousand people,—9,223 people,—who would like service, and this at the end of a period of six years in which we have made no endeavor to sell station telephone service.

Mr. Chipley: You mean that you have not solicited business?

Mr. Yundt: No, sir, we have only accepted that which was offered us.

Mr. Chipley: And in spite of that, we have on hand to-day unfilled applications for 6,827 stations?

Mr. Yundt: Yes, sir. Now, I would like to direct your attention again to Yundt's Exhibit one in which I show that although the telephone company had done wonderfully good in the State of Louisiana, and had put in an average of 6,810 stations per year last

year and this year, we have right on hand now 6,827 signed applications; or, to put it in other words, we have on hand to-day one year's business that is unfilled.

Chairman Taylor: Well, do you think that business will be generally as good this year, I mean in 1921, as it was in 1919 and 1920?

Mr. Yundt: We think that business conditions are going to pick up after the middle of 1921, yes, sir.

Chairman Taylor: But I mean general business conditions, and that there will be an additional demand in the next twelve months.

Mr. Yundt: Undoubtedly there will be, yes, sir.

Chairman Taylor: Well, how do you *co*concile that with the fact that all other business,—automobile business, for instance, and every other kind of business *has* practically to its lowest level?

Mr. Yundt: Well, on that point, I would like to say this: When you think of what has happened to one business and what has happened to another, you should go a little deeper into it and
672 find out how did it get there before this something happened to it. Now, we know that the automobile business, which you have picked out for instance, has been sky rocketed, and gone way up and,——

Chairman Taylor: Well, but it is in all kinds of business, you might say.

Yundt: No, I beg to differ with you, Mr. Chairman, as it affects the telephone company, for the reason that the telephone business has been repressed and has been held down. Due to the conditions which I have explained to you the business has not been allowed to follow its normal and natural growth for the past few years, and it naturally takes a long time to catch up.

Chairman Taylor: Now, why is it that the telephone business take your own corporation for instance, cannot settle down to a firm basis and go on and develop its business like other industries are doing, on the theory that the readjustment the country is now going through is going to put you back on your feet?

Mr. Yundt: We are trying to — that, Mr. Chairman.

Chairman Taylor: But you are commencing now,—in the automobile business, for instance. I do not understand that anybody in this country went out and asked somebody else to put money in the automobile business and said to them that if they would put in so much money into this concern and put it in advance then they woul guarantee that man so much return or so much service. In other words, you have a business that is not conducted along the lines of other business. You want the people of Louisiana to contribute to you money enough in advance to pay for these facilities. Now I appreciate that it would be al- right if the people of Louisiana would consent to it,——

Mr. Yundt: Well, that is a financial proposition that I am not qualified to discuss, Mr. Chairman. Mr. Hoxsey will be glad to answer any question along that line that you care to ask him.

Mr. Chipley: I would like to correct you there, Mr. Chairman. We are not asking for any money to be invested in this business or

to be put up by the users of the telephone to be used in this business at all. That is not the proposition.

Chairman Taylor: You are not what?

673 Mr. Chipley: We are not asking the users of the telephone service to put up money to be used in our *v*usiness at all. We are not like the automobile people. We are merely asking that they pay for the service a sum that will equal a rate of return which the courts say less than is confiscatory. We have never asked and we do not now ask the users of this business to put one nick*le* into it.

Chairman Taylor: What you are asking me and what you are asking every other user of the telephone in this State is to contribute annually twenty dollars over and above what I now pay for service. Now, I have had a telephone, we will say for a long while, but my neighbor Mr. Jones over here never has had a telephone, and now he suddenly decides that he wants one, and in order that he may have a telephone, according to your theory, I am going to have to pay in order that he may have his telephone put in?

Mr. Chipley: I can explain,——

Chairman Taylor: Well, I am very anxious to hear your explanation of it. I am frank to tell you that is the way it looks to me. That is why I would be very glad to have you to explain it.

Mr. Chipley: Now, let us assume for the purpose of this case that we were in the court, and we had reached a point where we had before that court this investment that this company has in the State of Louisiana as it is today; and we had the expenses as they are today in the State of Louisiana, and the gross revenue, and we will say that the net revenue will show about five per cent on the business of this year, though as a natural matter of fact it will be less than that. We will assume that we are not asking to be permitted to go forward at all, that we are satisfied to drag along about as we are,—that there was not a single demand for service unfilled, and that we had none to deal with except the people who are now connected. Then, we would say "The issue is what rate of return have we a right to have"? And, based on the decision of a case that went up from this commission to the court, and based upon a decision of a federal court in Texas tha last part of this Past September, they would say that any net return upon the property now there and now

674 being used in the State of Louisiana less than eight per cent would be confiscation, and they would say that we would have a right to put our rates up until we earned a net return which equals eight per cent.

Chairman Taylor: That might be true so far as the present investment is concerned, but no court will say that you may charge these people higher rates in order to increase your business.

Mr. Chipley: I agree with you there thoroughly, Mr. Chairman. Nobody but a fool would make such a proposition as that to a court. I tell you that I would not make it.

Chairman Taylor: But you are basing your increased rate, according to your own proposition, on the expected increase in business in the next five years.

Mr. Chipley: Not at all, sir. When we get to that point of the

testimony we will show you what we have done, and what is here now, and we will show that we are not earning a net return upon what we have here today equal to what the courts have said anything less than that would be confiscation. Now, what we are trying to show by this witness is that even when we have finished with this one and a half million dollars invested here this year, which is not being taken into consideration at this time for the purposes of this case, we are going to show you that notwithstanding the fact that we have in the past two years added over 6,000 stations to this plant in Louisiana, at the end of this year there will be over 6,000 people without any service and who are asking for service and demanding service. Now, we are going to take this position, and we might as well take it now; that unless we get relief so that we can earn as much as eight per cent upon our investment at this time,—that is now here,—we are not going to continue to put additional millions of dollars in this State. Nobody else would do it and we will not do it.

Chairman Taylor: Well, I don't blame you for that.

675 Mr. Chipley: But I want to clear up this misapprehension. We are not asking for a return on the money that has got to be spent in the future, but we are showing that the interest of the State itself demands that there be an expansion of our facilities in this state to take care of the people who need our service.

Chairman Taylor: You are looking after the dear pub*i*lc rather than the Cumberland Telephone Company,—is that it?

Mr. Chipley: Well, I have heard that suggested before, too, but let me tell you something: And that is that *is that* we have been interested in the public of Louisiana longer than anybody else in this room; We have shown our interested in the public in this State better than any man in this —. We have put our money into this State for the benefit and use of the public. You can talk as much as you please,—make it as funny as you can,—but I stand here today in all seriousness and I tell you that we are not ashamed of our record in the State of Louisiana. We are proud of it, and we stand here today as being the only people in this room who have put their money out at the use of the public of this state and had a return on that money of a rate which the courts of this country have declared to be a confiscatory return. I stand flat-footed on that proposition, Mr. Chairman.

Chairman Taylor: Well, it seems *to* you and I are arguing the case before the testimony is in, Mr. Chipley. Suppose you go ahead with your testimony and we will confine our remarks to a little later on.

Mr. Chipley: I think it will be an excellent idea, Mr. Chairman.

Chairman Taylor: Very well, proceed.

Mr. Chiple-: Now, Mr. Yundt, in this Exhibit No. 4, it shows that at this time there — at least 9,000 people without service in the State of Louisiana, who want service, is that correct?

Mr. Yundt: Yes, sir.

Mr. Chipley: And you have already testified that our facilities in the State are fully occupied?

676 Mr. Yundt: Yes, sir, they are.

Mr. Chipley: We have no facilities to furnish these 9,000 people at this time?

Mr. Yundt: We have not, no, sir.

Mr. Chipley: Now, the only way we can get the facilities with which to furnish them service is through the investment of additional capital in the company, is it not?

Mr. Yundt: That is the way I see it, yes sir.

Mr. Chipley: Do you know of any other way of doing it?

Mr. Yundt: I do not.

Mr. Chipley: Ever hear of it being done any other way?

Mr. Yundt: No sir.

Mr. Chipley: Now, what steps has the company take- to provide the facilities for 1921?

Mr. Yundt: Well, just as we did in 1919, we prepared an estimate on our needs for 1920 and so, this year, we prepared an estimate of what we can undertake and carry out in 1921, and that estimate shows that there will be requierd $2,115,000.00 to carry that program out,—there will be required that much to carry out the projects which are most important in the State of Louisiana, and that will result in a net addition to the property account of an investment of $1,660,000.00.

Mr. Chipley: And we must make a further investment in this State out of our capital of more than $1,500,000.00 in order to furnish service to the people of Louisiana who are now without service, but demanding service?

Mr. Yundt: Yes, sir.

Mr. Chipley: During 1921.

Mr. Yundt: Yes sir, that will take care of the demand as I have explained it. It will take care of the demand now accumulated but there will be some additional demand developed during the next year as it always does in every year.

Mr. Chipley: There has always been a greater increase in the number of stations and a greater demand each year since
677 the company has been in business, hasn't there, or for the past fifteen or twenty years anyway?

Mr. Yundt: No, I will qualify that. I will say that each year there has been a greater number of stations than in the previous year. In good times, *fo* course, the growth is more rapid than in bad times, but there has been a continual gain each year.

Mr. Chipley: Now, Mr. Yundt, coming to the cost of construction, please take up the question of material, apparatus and equipment. What are the prestne prices of such equipment and material and apparatus as used in the construction and maintenance of telephone property?

Mr. Yundt: In the past five or six years, as is common knowledge, there has been a rise in the cost of materials and the cost of labor, and the cost of a good many other things. As this rise in cost has affected telephone plants, i. e., the cost of producing items of a telephone plant, I now introduce my Exhibit No. 5.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Yundt's Exhibit No. 5.")

Mr. Yundt: This exhibit compares the cost in place today of some of the common items of a telephone plant as compared with the cost in 1914. Now, these are average costs for the Cumberland Telephone and Telegraph Company, and it operates in four stated, as was stated this morning but the cost, or, rather, the increases indicated in the right hand column are indicative in the rise of cost in the State of Louisiana, just like anywhere else. Now, we might look at a few items. For example; the cost of an average pole of Chestnut has increased from $5.70 in 1914 to $13.50 in 1920. That is an increase of one hundred and thirty seven per cent.

Mr. Brown: This is in the State of Louisiana?

Mr. Yundt: Yes sir, it applies to the State of Louisiana. I have said that these increases in cost as shown here are indicative of what took place in Louisiana.

Mr. Brown: Where was that chestnut pole shipper from,—what state.

Mr. Yundt: It would very probably be from Tennessee.

678 Mr. Brown: Cypress wouldn't do, would it?

Mr. Yundt: Yes sir, we use cypress and we also use creosoted pine,—particularly creosoted pine poles in Louisiana, and I take that up as the next item.

Mr. Brown: Would a cypress or a creosoted pine pole cost more or less than a chestney pole? It is very peculiar to me that you have got to go to Tennessee to get your poles when here in our own state, in some section-, there is nothing but poles.

Mr. Yundt: Very well, we will discuss the creosoted pine poles. The next item on the exhibit is creosoted pine poles. The average cost of creosoted pine poles in 1914 was $10.55 and this year they average $19.00 or an increase of eighty per cent. Now, of course the cost of setting poles varies even in the same cities, and the cost of string- a mile of wire may vary as the conditions under which it is strung vary. The cost of stringing a mile of wire may vary even in the same city due to conditions under which the wire is placed, but these figures are indicative, and there has been a considerable increase in the cost as between 1914 and 1920.

Mr. Chipley: These costs that you show here on your exhibit 5, they represent the cost of this apparatus or equipment in place, don't they?

Mr. Yundt: Yes, sir.

Mr. Chipley: You don't mean that just the bare pole itself would cost $13.50. You don't mean to say that that pole itself cost $19.00 or $13.50 do you?

Mr. Yundt: No, sir. This is the cost of a pole, the inspection of the pole, the freight and hauling, the digging of the hole, the raising of the pole, and the tramping of the earth, and the making of any sidewalk restorations that might have been necessary; the handling of the pole in the proximity of electric light wires or any other thing that may enter into the cost of the placement of a pole.

Commissioner Long: In other words, it is labor mostly,—labor is a big item?

Mr. Yundt: Yes, sir.

Commissioner Long: The cost of timber as a matter of fact,
679 I do not know whether you know it or not but it has gone down.

Mr. Yundt: Yes, I do know that timber has gone down lately.

Commissioner Long: Therefore, the big item in this is the labor and etc.?

Mr. Yundt: Yes, sir.

Mr. Chipley: But, that pole is of no service to us and means nothing to us until it is in place and a party of the system, does it?

Mr. Yundt: No, sir.

Mr. Chipley: So we can only consider what it costs us to make it a part of the system?

Mr. Yundt: That is all, of course,—the cost of adding it to the system and putting it into service is the cost to us. Now, I do not mean to say that any particular pole costs us that exact amount of money put in place. Some cost more and some cost less. The stringing or a mile of wire may cost a little more in one place than it does in another, but these are average figures, and I merely used them to indicate the trend.

Mr. Chipley: No, Mr. Yundt, proceed with your next exhibit.

Mr. Yundt: Well, we may go into the matter of labor costs, and in tha- connection I will introduce Yundt's Exhibit No. 6.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Yundt's Exhibit No. 6.")

Mr. Barrow: May I ask a question for information? Would it be better to have the cross examination of witness take place as he leaves each of his exhibits, or would it be best to wait until he concludes his direct testimony on behalf of the company?

Commissioner Long: I think it would be better to let him finish his testimony and then cross examine him on all of it. Anybody who wants to cross examine him on any particular subject can make a note of that as he goes along, and after he completes his testimony then they can cross examine him. That would be a more orderly way of proceeding with it and there would be less confusion and less interruption.

680 Mr. Chipley: Proceed, Mr. Yundt:

Mr. Yundt: The construction — any telephone plant, of course, involves labor. Now, to find a fair basis for comparing the cost of erecting a telephone plant as between 1915 and 1920, we have the records of the pay rolls asserched, and we find that a gang of men doing a toll line construction work in 1914,—that gang consisted of a foreman, a clerk, a line foreman, four linemen, and seven ground men, and it cost us in 1914 $121.17 per week. That same gang today cost us $266.00 a week, or an increase of 119 per cent. Now, those men work out in the country generally, away from the towns where they live, and they are either boarded or otherwise kept.

Commissioner Long: Mr. Yundt, according to this statement, in

the year 1914 you hired linemen for $8.08 per week and ground men for $5.77 a week. Will you tell men where that was?

Mr. Yundt: Right here in Louisiana. They got that much and board you understand.

Commissioner Long: Oh, and board.

Mr. Yundt: Yes, that much and board,—they were found. I am talking about a country gang now with no town work at all. Now, looks like you have picked the periods when the figures were most advantageous to yourself for the purposes of comparison.

Mr. Yundt: Well, no, let me explain. Perhaps it will clear that if I say that our wage rate were not lower in 1914 from what they were in 1913, and that they have been grudually increasing ever since; and next, this applies to the investment rather than to the revenues and expenses; and furthermore, it is merely indicative of what has taken place. I think your quistion will be answered in the suc-eeding exhibit, Mr. Long.

Mr. Chipley: It will, Mr. Commissioner. The next exhibit makes a comparison of wages paid in 1916, which is the same year in which we began to compare the revenues, and it will meet your suggestion absolutely. This present exhibit does not cover revenue at all. It merely covers construction cost and that is all that Mr. Yundt was discussing.

681 Commissioner Long: But in 1914, as a matter of fact, when there was a large surplus of labor, you got about twice as much work out of an outfit in 1914 as you do now. Didn't you get a great deal better result in 1914 than you do now?

Mr. Yundt: Well, it is necessary to bear this in mind; that the great bulk of this work is done by skilled telephone labor, and there is just so much of that character of labor available. It is necessary that these men be trained, and of course it takes some years to train the people. Now, I will admit, so far as common lavor is concerned that it will vary. Right now it is going down considerable from what the wage rate for common labor was this spring.

Commissioner Long: But it seems to me the unreasonable pprt of this statement is you only pay $5.77 for six days' work for experienced and skilled ground men in 1914.

Mr. Yundt: Yes, sir, but I have explained that is in addition to his board or his keep.

Commissioner Long: Well, when I was a thirteen year old boy, starting in a printing office, I got that much. And was over fifteen years ago.

Mr. Yundt: But nevertheless this is what we pay, and the vouchers and the records of the company will show that. I am glad, however, that you touched on that because it brings out something that I want to develop later on with regard to the wages in the telephone business. But the point of this in that the cost of labor and the cost of boarding that labor in the cities is eithty two to eighty five per cent increase over what it was six years ago.

Mr. Chipley: And now proceed with your next exhibit, Mr. Yundt.

Mr. Yundt: I will now introduce my exhibit Yundt's No. 7. This is a comparison of the cost of standard units of telephone plants for the years 1914 to 1920. I will offer that as my exhibit No. 7.

(The exhibit so offered and identified, was recievwd in evidence and marked "Yundt's Exhibit No. 7.)

Mr. Yundt: This exhibit shows, by a vertical column, on a sheet with a scale on the right hand side, a comparison between the
682 average cost of telephone plants constructed in 1914 and 1920. It divides each column by a shaded portion into what was material cost and the balance is labor and other espenditures, and then in the right hand column we find the relative increases. Now, we find that a certain amount of pole line work, which was either wetting poles or putting the arms on them, or doing guying, or doing anything that goes with the superstructure, which cost $100.00 in 1914, now costs about $209.00. Now, take the second one. It shows that wire has increased in cost about 218 per cent,—that is a little more than double. The aerial cable is ahe third one. It has increased about 54 or 55 per cent, and so on through the exhibit. Now, if we took several million dollars' worth of work, which we did, and found the cost of that amount of work, which we did, from our books, we found that an equal amount of work for the year 1920 was costing us a little over double; and that is accounted for by the increases in material, which the column on the right hand side shows to be seventy three per cent, on an average, and the labor and other expenses, is shown to be about one hundred and forty four per cent over the year 1914.

Commissioner Long: Now, have you a comparison of your business for 1914 and 1920? That would be a much faired comparison to amke than this because I would be almost willing to make the statement, based on the facts that I know of the telephone business, that your telephone business in 1914 as compared to 1920 has risen just about as much as the average cost as shown by this exhibit, because in the year 1914, the revenues of your telephone company, I am almost sure, were the lowest that they ever were. That is not a normal year because it was the year the European was was declared and there was absolutely no business. That was the worst telephone year that I ever saw, and if you have that statement I wish you would file it, because I think it would throw a whole lot of light on this case.

Mr. Chipley: Well, Mr. Commissioner, as I explained a moment ago, Mr. Yundt is testifying now as to the cost of construction. He is taking and showing by a graphic chart, as is done by engi-
683 neers throughout the country, just how the cost of a telephone plant, had risen during that six year period. It relates wholly sa solely to construction cost of telephone plant, and has no reference whatever to revenues.

Commissioner Long: I appreciate that, but if you have the cost of construction in 1914 it is only fiar to us that you give us your business for 1914. It reminds me of the time we were proving up a piece of land. We went one corner and traced down. We couldn't settle by that survey where the line was and so we had to go down and hunt up another corner then come back. That is just what you have done. Now, you come here with your cost of construction and make

your comparisons and show that there has been an increase of eighty three per cent comparing 1920 with 1914 but when you come to giving us your business and the money you took in then you come up to 1915 and 1916 and give us your business for those years. Now, if you want to put us in position where we can compare your expenditures with your revenues why don't you give us the receipts of your company in 1914 and your costs in 1914, instead of giving your costs in 1915 and as compared with your receipts of 1920? That is only fair to us.

Mr. Chipley: I think your criticish is more property directed to *eht* engineering profession, who have adopted this particular method, as I have said, in making such comparisons.

Commissioner Long: No, sir, that is not your point. It is just like a railroad case where they want to discontinue an agency. Every time they make application to discontinue an agency on the ground that the business is too small they come here and give us the figures for the worst months of the year.

Mr. Chipley: Now, if we may be permitted to proceed just a step further, when we get to the point where we are showing you the results of our operations, we are going to show the amount of the investment and the expenses and revenues for the year 1914, which incidentally, was the best year in the history of the company,
684 although not the best year in Louisiana. We will take the four years from 1914 on and compare them with the year ending Jusly 30, 1920. We have nothing whatever to conceal.

Commission Long: You have report?

Mr. Chipley: I have everything that relates to the operation of the company, yes, sir. You understand, of course, Mr. Commissioner, that construction cost and operating cost and revenues are entirely separate and distinct propositions. It doesn't make a particle of difference for the purpose of this case whether 1914 operations was a big year or a little year, because we are going to base our case on the amount of property in this State for the years 1916, 1917, 1918, 1919 and July 31st, 1920. Mr. Yundt, you understand, is not a financial man. He is a construction man and an operating man, and he is not concerned at all with the revenues of the Company. Just the minute Mr. Yundt gets through his testimony we are going to put Mr. Hoxsey on the stand and Mr. Hoxsey will be able to answer any question along that line, Mr. Commissioner.

Commissioner Long: Well, let me say one thin-. I am not quar-elling with you about it, but I just wanted to know,——

Mr. Chipley: Mr. Yundt is just following the line that engineers throughout the country follow in discussing these things, Mr. Commissioner.

Commissioner Long: But you are going ahead here to give us conditions during the war and prior to the war. You have gone for enough back, to be fair with us, and I am glad that you did do it, and show us the cost of construction before the war. Now, as long as you have done that, to be *fiar* with us, I think that you ought to *five* us your business for the said period, before the war. We have past through all of this condition and we assume that we are now drifting

back to a more normal state of affairs, to where the cost of business and the amount of business will be somewhat approximate to what it was before the war,—at least we hope so. Cotton, before the European was was declared, was bringing around thirteen cents a pound.

That same cotton during the following years went sky high,
685 as everybody knows, but it is now getting back to around thirteen and fifteen cents a pound, and it is fair to assume that other things are soon going to follow the same general level of cotton,—rice and sugar and all of those things have been seeking their own normal level these past few months, and I think it is fair to assume that other things are going to do the same thing.

Mr. Woodside: Mr. Chairman, I would like to ask this witness if he prepared these exhibits himself about which he has been testifying and which he has offered in evidence.

Chairman Taylor: Very well, ask him.

Mr. Woodside: Mr. Yundt did you prepare these exhibits yourself about which you have been testifying, and which you have offered in evidence?

Mr. Yundt: I prepared these exhibits, yes, but I had some assistance in thier preparation.

Chairman Taylor: They were prepared under your direction and supervision?

Mr. Yundt: Yes, sir and largely personally, from the books of the company and the pay rolls of the company and other records.

Commissioner Long: And from your own personal information would you know yourself and can you swear that these items are absolutel- correct,—you are not relying upon anybody else except yourself?

Mr. Yundt: Yes, sir.

Chairman Taylor: Well, we are taking up too much time on a technicality. Go ahead with your case, Mr. Chipley.

Mr. Chipley: Now, Mr. Yundt have you a statement beginning with the year 1916, which is the year in which our operating statement begins, showing the effect of the increased cost of labor and materials upon the investment per station in Louisiana?

Mr. Yundt: Yes, I have. Now, it may be well first to bring out this distinction: That while I am talking about the production of a telephone plant as distinguished from the operation of a telephone plant, you can carry in mind this comparison: That the production

of a telephone plant as distinguished from the operation of a
686 telephone plant, is like the purchase of a house and the operations of a telephone plant are comparable to the operations of a houes. Now I have already introduced my exhibits 5, 6 and 7, which show the changes in the cost of producing that telephone plant. I said that they were indicative. They were not particular costs for Louisiana except as those particular gangs which I have picked out of the pay rolls in New Orleans; but, anyway, they indicate the general trend. Now, I would like to introduce My Exhibit No. 8, which shows the concrete results of the price changes for material and labor, board, travel, freight, and anything else that went into the cost of producing telephone property.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Yundt's Exhibit No. 8.")

Mr. Chipley: Proceed Mr. Yundt:

Mr. Yundt: Now this is for Louisiana. In the year 1916 the average investment in Louisiana, taking the first of the year and the end of the year and adding them together and dividing by two in order to get average,—that average investment was $8,464,521.00, and during the same period we had an average of 50,505 stations. Now, dividing the investment by 50,505 stations gives $167.69 as the average investment per station in the State of Louisiana during the year 1916. Similar figures are given for the years 1917, 1918 and 1919, and it shows that in 1917 the average investment per station was $172.37. It had gone up $4.77. In 1918 the average investment per station was $178.94; and in 1919 the average investment for the year was $180.30. We have now nearly gone through the year 1920, and it looks as though the investment at the end of the year will be $180.29—possibly the same as was true last year, and by estimating what we are going to do next year it looks as though the average investment per station for the year 1921 is going to be $183.50.

Mr. Brown: What do you call a station?

Mr. Yundt: A telephone,—a telephone is a station. That is one on the window right over there. Now, these increases show the effect upon the investment due to the increase in labor and material
687 and other items affecting the production of a telephone plant that have occurred since 1915. We think that the fu-ther cost of materials are going to come down. They are expecter to be lower, due to the dropping prices af raw material. The wage rate will, however, remain higher than they were prior to the war. That is likewise true of freight rates and etc., and it is believed that the cost for telephone plants additions will not fall below one hundred and fifty per cent of the pre-war prices. Of course, that is an estimate.

Mr. Chipley: Now, just a moment. How is it that at the end of 192- during which year you installed a great number of stations, there has been no increases per station in the investment? In fact there has been a decrease of one cent.

Mr. Yundt: Well, that is account- for this way. We had in 1919 a certain amount of reserve still in our plant. Now, by the end of 1920, having experienced this big growth all through 1919 and also 1920, with relative small additions biing *bos*-ible due to various factors that I have already brought out, we are used up to the limit. Oour margin of line plant which should be in the plant, and our margin in swi-chboards would, if provided, raise this figure at the end of 1920 to about $185.00 per station.

Mr. Chipley: And you made this increased growth in stations by the use of your spare ficilities?

Mr. Yundt: Yes, sir, this question presented itself; whether more people should have service,—perhaps not so good service as they would like and as we would like to give them,—but it was a question of whether more people would have that kind of service or

whether fewer people should have service as good as we could possibly give them. As I say it was a question of policy.

Commissioner Long: Now, before you get off of this statement, it would appear here that you have invested in Louisiana,—that you have put about four million dollars more into this business than you had in 1916,—that is this is the end of 1920 and you
688 have about four million dollars — invested than you had at the end of 1916?

Mr. Yundt: Yes, sir, $3,800,000.00.

Commissioner Long: Well, four mission dollars in round figures. Now, where did you get that four million dollars that you put in the plant here in Louisiana between 1916 and 1920? Where did you get that money?

Mr. Yundt: That is a matter of financing that Mr. Hoxsey can explain better than I can. He handles all of the bonds and stock and money transactions, and raised the capital either through loan or notes or does something else. He can tell you what he did and where he got the money and when he got it.

Mr. Chipley: Now, Mr. Yundt, about what part is the part of your material in the construction of a plant as contrasted with the cost of material and the operation of a plant.

Mr. Yundt: Material is almost entirely used in the construction of a telephone plant. There is very little employed in the operation of a telephone plant, the operators, of course, and all of the people connected with the furnishing of traffic and service, represent about one-half of the expense of operating a plant. Plant maintenance represents about two sixths, and commercial about one sixth of the cost of operating a plant. Now, the only division of the property that uses material to any extent, in the operations of the property, are the plant men. They use dry cells, and such things as that.

Mr. Chipley: You mean now in operating?

Mr. Yundt: Yes, sir in taking care of the plant and making ordinary repair*d*. The total material bill, for operations, of course, is only about five per cent of the total.

Mr. Chipley: In other words, of the total cost of operating a plant, only about five per cent of that expense is for material?

Mr. Yundt: Yes, that is correct.

Commissioner Long: Have you an exhibit for that?

Mr. Yundt: No, sir.

Commissioner Long: I say a chart last that week that had that on it, I thought.

689 Mr. Chipley: No, Mr. Long, not this. The next witness when he goes on will be able to give you all of that information. This witness cannot do it. What I am trying to show now by this witness is that the cost of material in constructing a telephone plant is the predominating part,—and I am also trying to show now by this witness that after having constructed your plant and after you have commenced operations the cost of material is only five per cent of the expense, because the only expense for material is the operation of a plant is for a few little plant repairs and up-keep.

Commissioner Long: You mean after the stuff is already installed and the plant is in operation?

Mr. Chipley: Yes, sir, after your plant is built and in operation.

Commissioner Long: So, so far as material is concerned it will only cost five per cent for material from now on?

Mr. Chipley: Yes, sir, that is correct,—the cost of the material entering into a plant after it is under operation is only approximately five per cent of the total cost of operating that plant.

Commissioner Long: Oh, I understand.

Mr. Chipley: Now, proceed with your explanation of your exhibit, Mr. Yundt:

Mr. Yundt: Now, material represents fifty-eight per cent of the construction plant, which goes to investment. It represents five per cent, in round figures, of the cost of operating a telephone plant, made up largely of wages.

Mr. Barrow: That does not seem to be quite clear to me. I think perhaps I misunderstood you. There are two different classifications of material accounts,—the capital account, of course, made up of construction costs, and then ordinary expense in maintaining that property.

Mr. Yundt: Yes, sir.

Mr. Barrow: You do not mean to say that your entire material account is only five per cent of you- operating expenses, that the material account which is charged to maintenance is five per cent of the entire operating cost.

690 Mr. Yundt: Yes, sir, that is what I thought I said. You see the Interstate Commerce Commission prescribes the way in which our books must be kept.

Commissioner Long: I think I understand it now myself. If I con't I suppose your next witness will explain it anyway.

Mr. Yundt: He may not. If it is not clear I will try to make it so. If you go to build a house, out of the money you spend in that house you will figure for yourself how much is for material and how much is for labor. Now, if that house *in* a telephone system there will be wires, poles, stations and etc., and they will represent fifty-eight per cent.

Mr. Chipley: Fifty-eight per cent of what?

Mr. Yundt: Fift*h*-eight per cent of the material. To follow the illustration of the building of a house wi*r*ill say that fifty-eight per cent of the m*e*ney that goes into that house is for material. You now want to find out what per cent of the total running expense of your house is consumed in material, and that is what we have done here, and we find it to be five per cent.

Commissioner Long: Oh, I know now what you are talking about,—five per cent of your gross revenues you give to the American Telephone and Telegraph Company. Is that it?

Mr. Chipley: Not at all, Mr. Commissioner, we will bring that out however. What we are trying to bring out is this. When you go t*h* construct a property the item of material amounts to fifty-eight per cent of the cost of constructing that plant. The rest is wages and other expenses. Now, your plant is built as if we are going to operate it. Now, the material expense is only five per cent of the total operating expense. In still other words; out of the total cost of operating

your plant after you have it built only five per cent of that cost is in material. They we have wages, which amount to fifty-six per cent, and then other expenses run thirty-nine per cent, making the one hundred per cent operating cost.

Commissioner Long: Oh, yes, I understand now.

Mr. Chipley: Now, Mr. Yundt, we expect some reduction in the cost of material.

691 Mr. Yundt: Yes, sir, we do. Materials are going down and should go down in price. Of course wi will get the benefit of that when we begin to buy additional plants. We will be able to buy the material that much cheaper and it will, in a small degree, affect or reduce the expense of operation.

Mr. Chipley: You mean it will reduce this fige per cent of the operating cost we have already allocated to material.

Mr. Yundt: Yes, sir.

Mr. Chipley: And in construction, of course, it will have a more noticeable effect because there is more material used in construction work.

Mr. Yundt: Exactly, yes, sir.

Mr. Chipley: What has been the experience of the company in the matter of wages paid? Now, Mr. Long, we are getting down to 1916, you understand. We have the figures to put in just exactly as you enquired about them a little while ago.

Mr. Yundt: Now, in the matter of wages,——

Mr. Chipley: These are wages paid for operating the plant are they not?

Mr. Yundt: Yes, sir, wages per station. Now, we find that the operating room wages,—that is operators and all traffic wages, in the first column, in January 1916 cost us 50.7 cents per station per month. That is for the month of December taken as of January first. Now, in July 1916 it was down to 49.8 cents per month. In January 1917 49.5 cents per station per month. That was the low point, as I recall it, in the wages for operators as compared with the number of stations. Then in July 1917 it was 59.7 cents per station per month. In January, 1918 it was 64 cents per station per month. In July 1918 it was 78.1 cents per station per month. In January 1919 it was 90.6; June 1919 it was 97.5 cents per month per station. In December 1919 it was one dollar and six cents, and July 1920 it was $1.26 per station per month.

692 Commissioner Long: These are operators that you are dealing with now?

Mr. Yundt: Yes, sir, operators, chier operators, information clerks, rest room attendants, cooks and whoever it may be connected with the girls in their retiring quarters. Now, the plant wages are given in the same way. In January 1916 the cost per station per month was 67.3. We found in June 1918 that we got it down to 55.4 cents. That was due to the draft taking the men and we were short of forces dividend by the number of stations gave us that lower cost, but since then it has been going up until today it is $1.17 and five tenth- cents per station per month. Now all other wages throughout the company, in January 1916 was 31.6 cents per station, and in July 1920

it stood at 46.4 cents per station per month; or, if you add it all up, it will stand at the rate of $1.49 and six tenths cents per station per month in wages in January, 1916, whereas in July 1920 the figure was $2.90 and five tenth- cents per station, or a gain of $1.41 cents per station per month.

Mr. Woodside: What was the average receipts per station per month.

Mr. Chipley: This witness has not those figures. The next witness will give you that information.

Mr. Woodside: All right.

Mr. Chipley: Then Mr. Yundt between January 1916 and July 1920 the wages per station per month increased from $1.49 and six tenths cents to $2.90 and five tenths cents?

Mr. Yundt: Yes, sir.

Mr. Chipley: Now, will you please take up the matter of plant employees' wages in Louisiana.

Mr. Yundt: I will file this an My Exhibit No. 10.

(The document so offered and identified, was thereupon received in evidence, and marked "Yundt's Exhibit No. 10.)

Mr. Chipley: Proceed, Mr. Yundt:

Mr. Yundt: I can explain this the same way. The plant forces are, of course, variable, depending upon storms or other conditions that may effect operation, because it is outside plant and they take care of it. Now, I took the exchanges of New Orleans,
693 Shreveport and Alexandria, Baton Rouge, Lake Charles and Monroe in September, 1914 and compared them with September, 1920. Those exchanges comprises seventy two per cent of all the statians in the State, and it sis therefore indicatibe from that standpoint. Now we find that these town- gained sixty per cent in stations in that period. They gained sixty seven per cent in employees in the continuing of operations necessary for plant operation and maintenance. Their wages total an increase of 180%. The average increase per employee was 67 per cent. In 1914 they got $70.46 each for that month. In September of this year they got $117.76. Now that gave us a cost for these particular employees of 33.1 cent- in 1914 and fifty-eight cents in 1920, or an increase of seventy five per cent. However, as I say this is indicatibe of the general result. It does not take into consideration all employees like this survey and it is for but one month, but it gives you the indicitations of the trend clearly, and shows that Louisiana has followed this same trend that is general for the Cumberland Telephone & Telegraph Company as a whole.

Commissioner Long: Now, you have used 1914 haven't you?

Mr. —: Yes, I have.

Commissioner Long: That was abnormal in one direction as 1920 was in another, was it not?

Mr. Yundt: Well, 1914 was normal up until August and so far as our business was concerned we did not notice any particular difference because we did not lay off any people.

Commissioner Long: Well, what I would like to have, if no- too much trouble, is a statement of your business in 1914 also.

Mr. Chipey: It will take a lot of trouble, Mr. Long, and we have gone further than the rules laid down by the courts require- in providing data relative to these matters in a case of this kind. We have given you four years and another period of eleven months. We woule not have the slightest objection to given it to you if you except for the matter of time and labor and the cost.

Commissioner Long: How much time would it take?

694 Mr. Chipley: It would take at least sixty days and involve a lot of labor to tell something that doesn't amount to a row of pins.

Commissioner Long: Well, you seem to think it amounts to something because every time you compare the cose of labor you pick up 1914.

Mr. Chipley: I beg your pardon, but let's stick to the record. This is 1916 that we are talking about. This is only one little exhibit and we can throw it out of the window and it wouldn't make one particle of difference in this case.

Chairman Taylor: Well, you are getting in a lot of argument here about something that I don't think is at all material myself. I don't see where it would have much bearing on the case.

Mr. Chipley: It wouldn't have any bearing on earth, Mr. Chairman. But Mr. Long wanted it and,—

Chairman Taylor: Well, Mr. Long wants lots of things he ain't going to get. It takes too much time. Let's go ahead with this case.

Mr. Chipley: That suits me Mr. Chairman. Now, Mr. Yundt take up the question of wages paid in Louisiana to the operators.

Mr. Yundt: I now introduce my exhibit *youdt's* No. 11 which bears on that subject.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Yundt's Exhibit No. 11.")

Mr. Yundt: This shows the wage p-r station per month in Louisiana actually paid in the month of November of the years 1916 to 1920 inclusive, for operators, chief clerks and supervisors, etc. We have much better data on operators that we have on plant men because there is a given number of positions to be filled, and they are filled, and they don't move from — point in the territory to to another.

Mr. Chipley: What was the average per station per month in 1916?

Mr. Yundt: The average was 58 cents.

Mr. Chipley: And in 1920.

Mr. Yundt: One dollar and thirty-four and eight tenths cents.

Mr. Chipley: In other words that was your average cost

695 per station per month for operators and traffic expenses?

Mr. Yundt: Yes, sir.

Mr. Chipley: Now, that is for the State of Louisiana?

Mr. Yundt: Yes, sir.

Mr. Chipley: Now let us go back to you- Exhibit No. 9. What was the total paid in 1920 for the same purpose?

Mr. Yundt: In July 1920 for the Cumberland Company as a whole the average per station per month was One Dollar and twenty-six and six tenths cents.

Mr. Chipley: So you are paying more wages for this same purpose in Louisiana than for the company as a whole?

Mr. Yundt: Yes, sir, on an average we are. Now, there is another thing to be brought out here, and that is if you compare 1916 with 1920 and all the years in between you will see there is a steady increase in the cost per station, and we think it is going to go higher. Personally I would so say that I would like to see it go higher.

Mr. Chipley: Now, Mr. Yundt assuming that the company has an average investment in Louisiana for the twelve months ending July 31, 1920, of $10,815,138.90, what would it cost to reproduce that property at this year under present conditions?

Mr. Yundt: During the year ending July 31, 1920, there was an average investment in Louisiana, exclusive of working capital, of $19,815,138.90; and that is the accomulated cost of that property as it was built and the wage rate that prevailed each year and the price of material that availed each year.

Mr. Chipley: You say it was built. Then that is the original cost?

Mr. Yundt: Yes, sir, the original cost. Now, I have here an exhibit which bears on the cost of reproduction under the present conditions, *fo* the property of the Cumberland Telephone & Telegraph Company in Louisiana, which is based on an appraisal of a consulting engineer, Mr. W. F. Sloan, a consulting engineer of Chicago.

This exhibit shows,——

696 Commissioner Long: Now, gentlemen, I *am* individually urge an objection to anything made up by Mr. Sloan or any statements made by Mr. Sloan.

Chairman Taylor: Let's see what he wants to show by Mr. Sloan.

Mr. Chipley: I will tell you, Mr. Sloan was employed by the City of Louisville to appraise the property of this Company in Louisville, and following the codes of practice in certain matters, he inventoried the property and then he fou-d wha*at* the unit cost was. In other words he found what the cost of material and labor would be to replace that property, on what is known as the unit cost, in the engineering profession. Mr. Sloan then filed his report with the City of Louisville. Now, this witness has merely taken the unit cost that Mr. Sloan found and applied that to the property that we have in Louisiana and has gotten the result that he shown in his exhibit. That is all.

Chairman Taylor: Well what is your objection t*h* that, Mr. Long? Mr. Sloan merely found a bisis on which to start.

Mr. Chipley: Certainly; the unit cost.

Commissioner Long: I do not urge an objection, I merely reserve my right as a member of this Commission t- not consider this *this* testimony. Any Court in the state would throw it out as inadmissable. No court in the world would admit that kind of testimony.

Mr. Woodside: I will save you the trouble, Mr. Long. I will object to it on the ground that it is he-resay.

Commission Long: I don't want to be called upon *the* pass on testimony that a court wouldn't let *it*. No court in the world would admit that thing.

Mr. Barrow: Mr. Yundt: this exhibit that you refer to as Exhibit No. 12 is an exhibit prepared on a formula, was it?

Mr. Yundt: The statement is simply this: A consulting en-
697 gineer was retained by the City of Louisville to appraise the property of the Cumberland Telephone and T-leegraph Company in Louisville, and he found that the cost to reproduce that property would be $9,184,614.00. Now, we have merely taken the unit cost as found by Mr. Sloan and applied them to the property here in Louisiana.

Commissioner Long: That is exactly waat I am trying to keep out of this record.

Chairman Taylor: But Mr. Barrow is the Commission'- attorney and he has the right to examine the witness on this point and find out just what the statement does consist of.

Commissioner Long: But it shouldn't be in the record, and I am trying to keep it out, and you and Mr. Barrow, together are seeing that it gets in when it has no place there.

Mr. Barrow: I don't care whether it is in the record or not. I want to find out what this statement is. I*d* it develops that it is not admissable whatever has been done or said about it — can be stricken from the record.

Commissioner Long: Are you overruling my objection and putting it in the ricord anyway?

— Barrow: I am not concerned with your objection one way or the other Mr. Long. It is not up to me to pass on it. I am trying to ascertain from this witness just what this document is, and if it is not proper I will object to it myself. I don't care whether all of this discussion is in the record or not.

Chairman Taylor: Go ahead, Mr. Barrow:

Commissioner Long: Now, Mr. Yundt, did you make up this statement on any figures of your own?

Mr. Yundt: No; I took Mr. Sloan's figures for the reproduction cost and I then took the book figures of the company for the same property and found out what the *t*atio was between the book figures and what he said it would cost to reproduce the property.

Mr. Barrow: Well, is there any part of this statement that repre-
sents actual figures taken from the books of the company as
698 prepared by you?

Mr. Yundt: Why, I took the figures from the company's statement as to, its average investcent in Louisiana, which is $10,-815,318.00 and then simply multiplied it by the ratio found above, and I say, therefore, this is what it would cost to reproduce the property in Louisiana as it stands today, under present cost conditions and under all conditions existing at this time.

Mr. Barrow: Well, I must submit that I think it is proper if you are going to present these figures that the engineer that made these

figures should be here to explain how he arrived at the basis. I don't think it would be competent to introduce in this record the basis that that engineer used unless we can find out how he arrived at the basis. This statement does not show his formula at all.

Mr. Yundt: No, that is true.

Mr. Barrow: I don't think it would be competent to show an engineer's estimate of the cost of reproducing this property unless that engineer were here to explain how that figure was arrived at or made up, and so that we might examine him on it. Since you do not know yourself, Mr. Yundt, I don not think it is competent evidence. So far as rhe figures prepared by yourself are concerned I could not object to those, but I think that so far as the ratio which this engineer used in order to arrive at the reproduction cost is concerned that the only competent testimony to show whether or not proper ratio has been used would be the man who prepared the formula. It may be that the engineer himself could explain that, but we should have him here to find out how he arrived at this ratio.

Chairman Taylor: Well, I will overrule the objection for the time being, and let the testimony in subject to the objection. The witness has stated specifically where he got his figures, and if we make an error why the court will know why we made the error.

Mr. Chipley: No, Mr. Yundt, you are an engineer by profession, are you not?

699 Mr. Yundt: Yes, sir.

Mr. Chipley: You are familiar with the cost of material and labor at this time.

Mr. Yundt: Yes, sir.

Mr. Chipley: Can you tell this Commission what it would cost to reproduce this property in the State of Louisiana at this time?

Mr. Yundt: I made a check and a calculation and my estimate is that it would cost something more than ninety per cent than the present plant account is carried at.

Mr. Chipley: What basis did you use for your figures?

Mr. Yundt: Well, on my general knowledge of the property in Louisiana and the work that I have done in this State on the Shreveport and New Orleans exchanges, in designs and forecasts, and then also from this comparison that is shown in Yundt's Exhibit No. 7, which shows that the costs today are nenety seven per cent over those of 1914, and much of the property in Louisiana was constructed prior to 1914.

Mr. Chipley: What condition is the property in at this time in Louisiana?

Mr. Yundt: The physical condition of the property is good. I should say that its present condition should be somewhere around ninety per cent, because of the big investment that is in New Orleans, which is a new plant.

Commissioner Long: In computing your rates and figures how much did you allow for depreciation,—five per cent?

Mr. Yundt: I don't know how much Mr. Hoxsey has allowed.

Commissioner Long: He is the next witness?

Mr. Yundt: Yes, sir.

Mr. Chipley: Then, in order to be absolutely conservative, taking the property at say, eight- five per cent, what would you say is the cost or would be the cost to reproduce the property at this time in its present condition in the State of Louisiana?

Mr. Yundt: It would be close to eighteen million dollars,—between seventeen million five hundred thousand and eighteen
700 million dollars.

Mr. Chipley: Would you say then that Mr. Sloan's computed cost of eighty eight per cent was somewhat low?

Mr. Yundt: Yes, sir, our difference though is only two or three per cent, and I expect that engineers will differ that much on matters of estimate in almost any case.

Mr. Chipley: Now, Mr. Yundt to take care of the cost of replacing property which is displaced after having served its service life, either from physical wear and tare or other causes, and depreciation, there is created a depreciation reserve fund that is based on the original cost of the property. That is a fact is it not?

Mr. Yundt: Yes, sir.

Mr. Chipley: So at the end of the service life of this property there will be in the depreciation reserve fund, or should be, and amoung equal to the original cost of the property. Isn't that a fact?

Mr. Yundt: Yes, sir.

Mr. Chipley: Now, what effect upon the sufficiency or adequacy of this depreciation reserve fund has these increasing cost in wages and materials and other things had.

Mr. Yundt: The depreciation reserve fund set up to take care of the replacement of property, after that property has served its useful life, has been based upon the average life of the property in place or in service and upon the original cost of that property. For example, if a pole cost us $10.00, and it had a life of ten years,—an average life,—then we could set aside one dollar a year, so that we would have that ten dollars back in order to buy a new pole with when the old pole is no longer fit for service.

Mr. Chipley: In order to replace that pole, you mean?

Mr. Yundt: Yes, sir. Then we are in position to replace the pole to the extent of ten dollars. Now, to come to your point we know to-day things cost more than they did, however much they
701 cost, but take six per cent which I have used here, if the property prior to 1914, or thereabouts, cost us, say, one hundred dollars, it now costs us one hundred and ninety dollars; so when that property is worn out and we wish to replace it we have one hundred dollars to do it with, but the cost is going to be one hundred and ninety dollars to secure and erect property in place of that which is worn out. So, therefore, there must be ninety dollars additional secured from some source, and that can only be done by borrowing. We are much in the position of a man who bought a house and paid five thousand dollars for it some time prior to the war, and say, the value of the roof on that house was five hundred dollars. Today it needs re-roofing. The roof cost him one thousand dollars. Now, his capital account has gone up five hundred dollars because his house is worth five thousand five hundred dollars and that it

what it stands him. The one thousand dollars would be partially made up by his depreciation reserve fund which he should have accumulated to ta-e care of that roof and the other five hundred dollars must be additional money he muse secure from some source or other. So we are in that same situation. A pole cost us ten dollars, say ten years ago, and we have set a-id- money each year to take care of this replacement but it was decayed or destroyed by lightening or moved away by orders of the city. Now, we will have that then dollars, but to actually replace that pole it is going to cost us sixteen or eighteen dollars to-day, and so we have to borrow the additional money, which is then charged into the capital account. In that sense you are reproducing to your property every day as you are putting new plant to replace old.

Commissioner Long: Now, these figures on the capital account I got from Mr. Chipley, that was your capital account for the four states you operate in I suppose. I understood it was for Louisiana, Kentucky, Tennessee, and Mississippi?

702 Mr. Yundt: Yes, sir.

Commissioner Long: These are the four states in which you operate?

Mr. Yundt: Yes, sir.

Commissioner Long: That is fifteen millions dollars of stock and fifteen million dollars of bonds,—is that correct?

Mr. Yundt: I don't know a thing on earth about that, Mr. Long.

Commissioner Long: I didn't mean to interrupt you, but I just wanted the information. Go ahead.

Mr. Yundt: Now, in 1920 in Louisiana we will replace approximately $279,500.00 worth o- plant. Of course that is only a small part of the total.

Mr. Chipley: That is what it cost originally, you mean?

Mr. Yundt: Yes, sir.

Mr. Chipley: Now, to replace that it will take what?

Mr. Yundt: I estimate it will cost $525,500.00. So that, in addition to the money provided by the depreciation reserve, which should be provided, we will have to borrow a sum of money somewhere in the neighborhood of $246,000.00 in order to make these replacements.

Mr. Chipley: Then, even if we did not add a single station to our part in Louisiana, to protect the property in Louisiana and keep it in serviceable condition we have got to replace property that cost originally $279,500.00 at a cost now of $525,000.00. Is that correct?

Mr. Yundt: Yes, sir.

Mr. Chipley: The difference being $246,500.00 which, owing to the increased cost of construction is greater than the depreciation reserve fund created for that purpose?

Mr. Yundt: Yes, sir.

Mr. Chipley: That must be new money that we must get some way?

Mr. Yundt: Yes, sir.

Mr. Chipley: And you can only get from the depreciation reserve fund the original cost of the property.

Mr. Yundt: Yes, sir.

Mr. Chipley: That is all that is in that fund is it not?

Mr. Yundt: Yes, sir.

703 Mr. Barrow: In other words you have not increased your value on these items upon which depreciation is charged to conform to these rivised values?

Mr. Yundt: No, sir. We don't do as a merchant, *woh* takes stock at intervals and says "well my inventory shows so much money or so much stock or material" and who takes the currect prices and figures them against that stock to find their value. If we buy a pole or a building at a certain price we are like any other man who bought a pole or a building. It stands on his books as so much and we are going to keep it in use until it is worn out. You understand that we do not trade in our property. We simply carry it at what it cost us. We borrow that much money. Now, they, the investor who supplies us that mo*e*ny wants to be assured that either we have the property or that we have the money representing what that property cost because that is the mo*e*ny that he loaned us.

Mr. Chipley: If the cost of the construction of the property were to increase five hundred times it would not change the *gi*g-res on our books showing our investment, because they show the original cost?

Mr. Yundt: That is correct.

Mr. Barrow: Would it show a change in your depreciation charge?

Mr. Chipley: No, sir, not for property already constructed because depreciation is always figures on the original cost of the property. A pole which was purchased some years ago will carry a depreciation charge based on the cost at the time it was purchased. Now, a pole that is bought to-day, the depreciation reserve fund will be based on the cost of that pole today. It is always the original cost of the property when it is constructed and put into service that the depreciation reserve is based upon.

Mr. Barrow: I understand you now.

Mr. Chipley: Nos, Mr. Yundt? the Cumberland Telephone and Telegraph Company does not own its telephone instruments, does it?

Mr. Yundt: No, sir.

704 Mr. Chipley: It leases those instruments from the American Telephone and Telegraph Company?

Mr. Yundt: It does.

Mr. Chipley: Now, how many instruments has the Cumberland Company in Louisiana? Well, before I ask that question, there is nothing in the investment account representing the cost of those instruments because we do not own them, is there?

Mr. Yundt: No, sir, there is nothing in the investment account of the Cumberland Telephone and Telegraph Company for those instruments.

Mr. Chipley: How many instruments have we in Louisiana in use at this time?

Mr. Yundt: There are in round figures 68,000 stations in service I have the figures as of the first of December and it is roundly 68,000,—within one hundred or so.

Mr. Chipley: If we did not lease those instruments and went to buy them what would they cost us?

Mr. Yundt: Well, to purchase the instruments that are now at the stations and at the switchboards and which we have for reserve to take care of moves and for repairs and etc., they would cost us $466,480.00.

Mr. Chipley: Then, if we were to own our telephone instruments instead of leasing them we would have to add $466,480.00 to our investment account in Louisiana?

Mr. Yundt: Yes, sir.

Mr. Chipley: Now, if we owned those instruments we would have to maintain them, wouldn't we?

Mr. Yundt: Yes, sir.

Mr. Chipley: What would that cost?

Mr. Yundt: That would cost us approximately $1.30 per station per year,—per station in service, you understand.

Mr. Chipley: What would the total cost be?

Mr. Yundt: $13,296.00.

705 Mr. Chipley: And that would have to be added to the expense we would incur in furnishing service if we were to own the instruments rather than lease them?

Mr. Yundt: Yes, sir.

Mr. Chipley: Now, Mr. Yundt, the American Telephone and Telegraph Company furnished this company certain engineering services, does it not?

Mr. Yundt: Yes, sir, it furnishes very valuable engineering services.

Mr. Chipley: Will you explain to the commission please the nature of those services?

Mr. Yundt: Well, it -urnishes engineering service. Those engineering services range from the design of apparatus, patents, the use of copywrighted devices, on through to the actual making in the various cities of house count for the purpose of determining the purchasing power in terms of the number of telephone stations and distribution. It gives us assistance in laying out fundamental plans for conduits and cable systems. It furnished assistance in the design of a central office equipment, and in numerous other ways. It acts as a consulting engineer for the engineering branch of the Cumberland Company, so that there may be second check or a check upon all engineering calculations or decisions that may be reached by the Cumberland's own engineering force.

Mr. Chipley: What effect does that have upon the investment of the Dompany in Louisiana?

Mr. Yundt: Well, the whole purpose of the engineering assistance is to reduce the plant account to the least figures consistent with such service. That of course leads to the most economical design of telephone plant and we are benefitted thereby.

Mr. Chipley: What service does that company render the Cumberland Company in the way of developing improved materials such as cables and etc., and what effect does it have on the investment?

706 Mr. Yundt: In the spring of 1919 I made a study of the benefits that we get through this assistance of the engineering department of the American Telephone and Telegraph

Company. Now, we used to use two hundred spare cables. They have developed a cable now that will run four hundred, six hundred, then eight hundred and now twelve hundred pairs of cable of the same size diameter. All that means that you can get eight hundred parts of cables, we will say, protected by the same amount of lead that we formerly had to use to take care of two hundred pairs; and, at the same time, those eight hundred pairs, which formerly took four conduits,——

Mr. Chipley: Conduits or conducts?

Mr. Yundt: Well, ducts, under the street to carry those four cables aggregating eight hundred pairs, now require at this time but one duct. That of course, tended greatly to decrease the investment to render a given amount of service. Now, then, cables under ground would turn to white lead,—that is, the lead sheath around the cables placed under ground used to turn to white lead, due to the presence of acids and carbonic acid gas in the subway. They fou*dn* that the admixture of time would prec*ul*de and prevent this, and to that extent our cables have been better than those of other companies.

Commissioner Long: Is there another Company?

Mr. Yundt: Well, there has been, yes, sir, of course.

Mr. Chipley: There are lots of other companies to-day, of course, all over he country. You have one in Shreveport, Mr. Long.

Mr. Yundt: Tin being expensive, they found later on, a substitute that would save a lot of money. It is my calculation, due to the reduction in the conduit, the riduction in the sheathing and the riductions in cost due to the use of *amtrimony* have saved then since 1918 $399,200.00 investment.

Mr. Chipley: And but for this service our investment would have been that much *grated* than it is now?

Mr. Yundt: Yes, sir.

Mr. Chipley: And that would corry with it depreciation and cost?

Mr. Yundt: Yes, sir, cost, taxes, depreciation and initial cost.

707 Mr. Chipley: They would be annual charges?

Mr. Yundt: Yes, sir, except the charge to initial cost, of course.

Mr. Chipley: Go ahead.

Mr. Yundt: Now, then, they have developed a sati-factory way of making commercial use of phantoms for long distance service. That is, you can take two long distance circuits side by side on a pole line, each of them being useful for one telephone message at the same time, and they have developed a series of telephone circuits to be derived from that, enabling us to use those four wires for three telephone circuits, where formerly but two telephone circuits were derived from the same number of wires. Now, that reduced our investment in Louisiana *bu* $401,900.00 for wire and $112,500.00 for pole lines, totaling $514,000.00.

Mr. Chipley: That is an expense that would otherwise have to be incurred in maintaining and operating the property?

Mr. Yundt: Yes, sir.

Commissioner Long: As a matter of fact the American Telephone

and Telegraph Company,—you are owned outright by them so far as stock is concerned, I understand?

Mr. Chipley: No, sir, the Southern Bell Telephone and Telegraph Company owns the Cumberland Telephone and Telegraph Company and in turn the American Telephone and Telegraph Company owns the Southern Bell; and if you will just wait until Mr. Hoxsey takes the stand he will lay all of that before you so plain that there will be no question about it. Mr. Hoxsey is thoroughly familiar with all of those matters. This witness is not. I am endeavoring to show physical conditions by this witness, Mr. Long.

Commissioner Long: That is all right, Mr. Chipley, you don't have to make any explanations. I thought that this witness know all about that part of the business also.

Mr. Chipley: No, sir, he is nit concerned with that part
708 of the company at all.

Mr. Yundt: Then, there is another arrangement known as loading coils, used in connection with long distance circuits, some years ago the Cumberland Company strung through Louisiana and Mississippi a number of eight copper circuits weithing #73 pounds per wire mile, in order to give sergice between Memphis and New Orleans. Shortly thereafter the American Telephone and Telegraph Company developed this invention of the loading coil, whereby a number twelve guage wire, weighing 173 pounds, or about 300 pounds per wire less, would do the same work. Now, we have a good many miles right in this State of that Character, and that represe-ts a reduction in investment of $137,000.00. Now, the investment in instruments in 1918 represented $273,500.00,—that was for a different number of stations than I gave you a while ago, which was as of December 1920. All of these improvements, as they were applied in the State of Louisiana, and their reflection in the plant accounts, representing a saving of approximately $353,-000.00 a ear. Now, that is due to economies made each year and to the reduction in investment, which reduces taxes, interest, depreciation and maintenance of the property that would otherwise have been necessary to provide for.

Mr. Chipley: That concluede the direct examination of this witness, Mr. Chairman.

Chairman Taylor: Very well, Now, I suggest that you gentlemen who are opposing this increase get together and settle on some one individual to do the cross examining for everybody. If we don't do something *fo* that sort we are going to have a whole lot of confusion and cross fire talk here, and it is going to make it very hard for everybody interested. I suggest that all of you people who are *pooping* this increase comfer and agree on somebody to examine the witness for you.

709 Mr. Viosca: I suggest then, Mr. Chairman, that somebody from the country do that. There are a great many people here from the country districts and they are very much interested. I think we will have some statement to make a little later on.

Mr. Brown: I would suggest that Mr. Viosca cross-examine the witness in behalf of all of us.

Mr. Ochs: Does that cut out anybody else from asking him some questions?

Chairman Taylor: No, it does not, but it does this: it means that only one man can question him at a time. That is what I am trying to get you all to do.

Mr. Viosca: I will say, Mr. Chairman, in behalf of the City of New Orleans, whom I am representing here, that the new city officials have just taken office, on December 6th, of this year, and got no notice of any kind with reference to this proceeding, except as they learned through the newspapers. Therefore, they have not been in position to make any investigation of any kind. We have come here simply to watch the proceedings and ask the Commission to give us an opportunity to make an investigation and present any testimony we may deem necessary at some later date. We have a lot of figures that we know nothing about and have not had time to look into, and we feel that we should be given some opportunity to contradict them or to accept them, if they can be contradicted, or to concede their correctness if we find that they are correct. We have taken part in these proceedings so far merely to protect our interests as far — we can in our unprepared condition. I thought I should make that preliminary statement to let you know just what our position in the matter was.

Chairman Taylor: Well, I don't know,——

Mr. Chipley: We were here some two months ago and the same proposition was made the Commission. The Commission acted upon it and gave everybody a stated time to prepare for this hearing. We sent to the Commission a lot of printed schedules showing
710 the effect of these proposed increases in every exchange in the state, and I understood that the Commission was going to send them ouy to the various municipalities and towns that were interested.

Mr. Viosca: Was any represented of the City of New Orleans here at that time?

Mr. Chipley: They were notified in New Orleans.

Chairman Taylor: You can file that in the form of a written motion, Mr. Viosca, and we will climb that hill when we reach it.

Mr. Viosca: I think the Commission should take judicial notice of the fact of the change of administration in New Orleans, and that notice to the old administration would not be notice to the new administration. The commission should do as a court would do under the same circumstances.

Chairman Taylor: Well, file your formal written motion and we will take it up later on.

Mr. Viosca: Very well, now, Mr. Yundt? These various exhibits that you have offered here were prepared by who-?

Mr. Yundt: These exhibits?

Mr. Viosca: Yes, sir.

Mr. Yundt: I made them.

Mr. Viosca: Did you make them all personally?

Mr. Viosca: Where did you get you- figures?

Chairman Taylor: He went all over tha- this morning, Mr. Viosca.

Commissioner Long: I think that that little argument had reference to only one or two of them. Where did you get your figures, Mr. Yundt?

Mr. Yundt: From the books of the company.

Mr. Viosca: Who prepared those books or made the entries?

Mr. Yundt: The General Auditor's force.

Mr. Viosca: Were you present that you have personal knowledge of all these figures yourself?

Mr. Yundt: No, I cannot say that the books have been correctly kept. I have nothing to do with the keeping of the books
711 myself. We have a general auditor, whom I am quite sure sees to that part of the business.

Mr. Viosca: Well, Mr. Chairman, simply to keep the record straight,—and we expect that you will let the objection go to the effect,—however, in view of the testimony all of this is apparently hearsay, as far as these exhibits are concerned, and the City of New Orleans objects to any testimony in connection with these various exhibits and to the admissability of the exhibits themselves, on the ground that it is hearsay testimony. You can overrule the objection, of course, I am simply making it to keep the record straight.

Chairman Taylor: Well, the objection comes too late in the first place, I- will be overruled.

Mr. Viosca: Well, until we had an opportunity to cross-examine and find out how the statements were made, we could not object.

Chairman Taylor: You could have ascertained this morning.

Mr. Woodside: I would like to draw the attention of the Commission to the fact that I objected to these exhibits this morning on that very same ground.

Chairman Taylor: Well, I have ruled on that. He testified that he took these figures from the books of the company, as he found them, and he made the exhibits up under his own direction and supervision, and in view of that fact we are going to let the exhibits in.

Mr. Viosca: Well, I will reserve a bill of exceptions to the ruling of the Commission.

Chairman Taylor: Certainly you may do that.

Mr. Viosca: Mr. Chairman, this exception is made in behalf of all of the opponents, and I presume the same ruling of the Commission will apply to all testimony of a like character, without the necessity of repeating the objection in each instance.

Chairman Taylor: Yes, the record will show that the objection applies to all testimony of the same kind.

712 Mr. Viosca: Now, Mr. Yundt, have you any separate statement as to the New Orleans business.

Mr. Yundt: No, I have not, Mr. Viosca, I have got data here which is applicable to New Orleans, but there has been no particular attempt to se-regate the New Orleans operations from the operations in the balance of the State, any further than is shown by the exhibits themselves.

Mr. Viosca: Well, have you any data, from 1914 to 1920, showing the total investment for each year, and the total gross revenue for

each year, and the total expenses for each year, and the total net revenue for each year together with a comparison of net earnings and investment, as applied to the City of New Orleans?

Mr. Yundt: No, sir, I do not have any earnings in here at all. I simply have covered those features of operation which have brought about the change in cost for the State as a whole.

Mr. Viosca: Do you know how the figures in New Orleans compare with those in the rest of the State? In other words does the New Orleans office earn more or less?

Mr. Yundt: I don't know. I know that New Orleans represents nearly one half of the total number of stations in the State. That much I do know.

Mr. Viosca: Do you think that the revenue of any particular locality, or, rather, the charges in any particular locality should be based upon the revenues and expenses in that locality or that system should be taken as a whole?

Mr. Yundt: I would rather not attempt to testigy on that question. I am not engaged in practice of making rates or passing on earnings of the exchanges. That is a question which I know will be answered by Mr. Hoxsey, who will take the stand and go thoroughly into that question. It would be much better to get that expression of opinion from someone who has given consideration to the matter, which I have not.

Mr. Viosca: Do you feel qualified to answer that question?

713 Mr. Yundt: No, sir, I might, wit- preparation, but I have not *at a* prepared myself to discuss the question of rates.

Mr. Viosca: Now have you made any effort in getting up these figures to separate your expenses and revenues and messages which go outside of the State from those that are entirely intrastate?

Mr. Yundt: No, for the reason that messages that go out of the State are balanced off by those messages that come into the State from points outside of the State.

Mr. Viosca: Is it a fact that the messages are absolutely balanced off?

Mr. Yundt: They are sufficiently closely balanced for the purposes of my testimony here, which is to show the growth of the volume of toll traffic. In other words, the point I am trying to convey to you is this: That the inbound and outbound intrastate mes-ages are sufficiently closely balanced as to make it fair to take the business in the State of Louisiana, alone, separate and distinct, from its connection with the business of the other states of which it is a part of the system, in orcer to arrive at a fair rate basis in Louisiana. That is my personal opinion, you understand, but I would much prefer that you ask Mr. Hoxsey the questions alon- that line. He has made an extensive study of the messages into and out of the State and found a definite result on that point and he can tell you the result of that investigation. It took a lot of people a long time to do that work, and it was not made by me. He did it himself and he will be competent to give you detailed information on that point, whereas I am not.

Mr. Viosca: Very well, I will ask him that question, but if you

feel competent to answer I would also like to have the information from you.

Mr. Yundt: No, I don't feel qualified to testify very intelligently on that point.

Mr. Viosca: Now, so far as the City of New Orleans is con-
714 cerned, what is the reason that the company had not been in position to comply with the demands for service?

Mr. Yundt: Well, the first thing has been the tremendeous growth of that city. I don't know of any city that has grown faster in the whole nine states that I am familiar with than New Orleans, and the demands of that city have called for great quantities of central office equipment and for cables and other outside plant. We have provided a large number of positions,—probably more positions to the switchboards in New Orleans than anywhere else in the state. I cannot say so definitely but that is my recollection, and we have orders in for switchboards which should be in service now and some of which should have been in service in the Spring, but they have not been delivered by the manufacturers so that we do not have the use of them now.

Mr. Viosca: Is the failore of the manufacturers to deliver the material the real reason that you have not put in these extensions?

Mr. Yundt: It is absolutely that failure of the manufacturers to deliver that has prevented them from being made before this.

Mr. Viosca: It was not a question, then, fo- the company's inability to get the money?

Mr. Yundt: It was not until this time.

Mr. Viosca: And there is not now?

Mr. Yundt: I said that there was not up to now.

Mr. Viosca: Is there any such difficulty at this time?

Mr. Yundt: That is a matter of finance that I cannot discuss with you because I do not handle that part of the Company's affairs. I do know in the fall of 1919 that we were authorized to go ahead with all of the projects necessary to care for the service situation to the extent that we could get central office equipment and material, and everything was authorized for it. *Mrn* were gathered and orders were placed, and much equipment was added, and *lie* plant was
715 added, but not enough to take care of the entire demand, because the demand was so much greater than the material on hand and capable of being secured.

Mr. Viosca: Isn't it a fact that the sum of $8,000,000.00 has been set aside for improvements in Louisiana?

Mr. Yundt: I do not recall anything like that. It may, of course, be true.

Mr. Viosca: Well, you made a forecast of what will be necessary to do in Louisiana.

Mr. Yundt: I believe it will take between twelve and thirteen millions of dollars to take care of the State of Louisiana in the next five years.

Mr. Viosca: Well, what I want is this: Is there any connection between *this* additional facilities, or these additional facilities and

this increase in service and your application here for increase in your rates are to earn additional dividends?

Mr. Yundt: Why I can tell you very simply what the problem is: If the income from the business is such that it pays a return upon the investment then we will be able to get additional money with which to keep on expanding the business.

Mr. Viosca: In other words, all of this testimaon- that has been brought out with reference to the great demand for the extension of service in this state, is of no relevancy whatever, except as you say, that you will not put additional capital here unless your capital already invested here is permitted to earn a certain amount of money?

Mr. Yundt: No, sir, I did not say that. That was brought by counsel I think.

Mr. Viosca: But is it a fact or not?

Mr. Yundt: I cannot say. If the company raises the money and tells me that they will approve the estimates that I put up, then I will begin work. I perform my work after I am told by the company that I may go ahead and that the money is available.

716 Mr. Viosca: In other words, I want this clear to the Commission. I believe the Chairman of the Commission has it in mind already,—that the demands of the people for an extension *fo* service in Louisiana has no connection with your application for increases in rates here, at all, as a matter of fact.

Mr. Yundt: In a sense, I think you are right in that, for this reason: If the Company's business was successful and profitable with its present number of stations it would not then be worried about the financing of its future business. However, that is a matter of finance and I have not gone in to those questions sufficiently to permit me to discuss then very intelligently with you. I do not handle them myself, but if we are going to talk about the physical condition of the property and the operations of the property I can *deep* up with you.

Mr. Viosca: Now, getting to your figures in your statement,—I do not just recall the number of it,——

Mr. Yundt: What was the number of the exhibit or what was it about, sir?

Mr. Viosca: The one showing the investment, the gross revenue, *th*tal expenses, and net revenue of the company.

Mr. Chipley: I did not introduce any such exhibit as that Mr. Viosca:

Mr. Viosca: Well, you had those figures brought out in this pamphlet here.

Mr. Chipley: Mr. Chairman, I am going to ask you to restrict the cross examination of this witness to those points that was touched upon in his direct examination. I never said a single, solitary word to Mr. Yundt about the finances of this company, cost per station and some of those things, but he never touched at all upon the general question of the finances of the company. Now, Mr. Hoxsey will be on the stand tomorrow and he will go into that in detail. This witness is not prepared at this time to go into those figures

717 This witness testi*g*ied about plant cost and the cost of con-

struction and maintenance, and wages and etc., and that is all. He is not familiar with the general financial business of the company and its financing policy in general, and I ask that the cross examination be restricted to those points about which he has testified on in direct examination.

Chairman Taylor: If he can't answer the questions he can say so.

Mr. Yundt: I have repeatedly told these gentlemen that I am not a financial man, Mr. Chairman, and I cannot, either in justice to them or myself, answer a good many of these financial questions that they are asking me.

Mr. Viosca: Well, isn't it a fact, in so far as your expenses are concerned, that you have passed the crisis?

Mr. Yundt: Why I don't know.

Mr. Viosca: Haven't material appreciably decreased in the past sixty days?

Mr. Yundt: Yes, sir, there have been decreases in some things.

Mr. Viosca: Hasn't copper gone back to prices lower than prevailed in 1914?

Mr. Yundt: Well, copper is down to 13-3/4, and that is very near the lowest point for the past ten years. Lead is down around five cents, and it was as high as fifteen cents, as I recall it. Rubber is *abound* eighteen cents at the precent time, and at one time it was as high as one dollar. Silk was quoted at sixteen or eighteen dollars a pound, and we use a lot of it, and it is now down around six dollars; and when it comes to the operating of this property which we have, why then, it is perfectly all a question of wages. Practically the entire cost of operating the property is in wages,
rents, electricity for the lines, gas and water, and things of
718 that sort, and the cost of materials plays but a very small
part in the total operating cost of the company. As I have already stated, not over five per cent of the total operating cost, represent material. Therefore, if you got your material for nothing, so far as operations are concerned, you would only reduce it five cents on the dollar. Now, if you would only reduce it five cents on the dollar, Now if you are going to buy more property,—say you want to double the size of your plant in Baton Rouge or New Orleans, and materials have come down, then naturally we are going to get cable and other materials for less money next year than we paid for them last year. Now in connection with the consideration of the prices of things that have come down you must also take in to consideration how high the- were at one time; and then, too, I don't believe that anybody feels that cotton is going to stay at thirteen or fourteen cents a pound because cotton at that figure simply will not be produced by the people who have been in the habit of producing it.

Mr. Viosca: Well, your materials at any rate have practically gone back to the pre-war prices, haven't they?

Mr. Yundt: No, sir.

Mr. Viosca: Those things most used *by* copper, lead lumber, are they not?

Mr. Yundt: Why, we use a good deal of lead and copper and poles in the production of a plant. In other words if we were building a house it would cost us less money to build that house next year than it did last year. That is quite true.

Mr. Viosca: Well, generally speaking, poles, lead and copper constitute the greatest part of the material that you purchase,—probably nenety per cent,—don't they?

Mr. Yundt: Well, no, not ninety per cent. They are a great proportion, and the reduction in those commodities is going to affect the cost of building extensively. It will reduce the cost
719 of these extensions, certainly, but not by any such figure as that.

Mr. Viosca: What percentage would you say that lead and copper constitute of the entire materials used in the construction of a plant.

Mr. Yundt: I could probably give you a fair approximation on that if that will serve your purposes.

Mr. Viosca: Will you figure that out later and give me the percentage those materials bear to the total amount of materials in the plant, Mr. Yundt?

Commissioner Long: Well, have you just a rough idea of just what it would be, Mr. Yundt? You can figure it out in detail later on if you want to, but you can give Mr. Viosca a rough estimate and perhaps that would serve his purpose.

Mr. Yundt: Oh, I can say that the poles, copper and lead in a telephone system, in the shape of telephone circuits and cables, with the labor and everything, in place, represent about one-third of the total of the investment. Now, the raw materials in there would possibly be one-third of that, or say, one ninth. It might be ten per cent of the investment.

Mr. Viosca: Well, what other materials are there that you use to any substantial extent that has not gone back practically — pre-war prices.

Mr. Yundt: Well, cables, insulated wire and apparatus of one kind and another, buildings, conduits, and all of the brick and cement used in connection with them, poles, cross arms, hardware,—practically everything *everything* is still far above the pre-war prices, except in some few instances.

Mr. Viosca: Do you mean that those things have not fallen off very appreciably in the cost in the past thirty or sixty days.

Mr. Yundt: The raw material has, but I think it is still above pre-war prices.

Mr. Viosca: Does not the trend of prices indicate that if all of those materials have not reached pre-war prices that they will do so in the course of a very short time.

Mr. Yundt: No, I don't think so. I think a lot of things are selling below cost of production and must go up again, and it is possible that other things that have not yet felt the recession in prices will feel such a recession, but it is unquestionably true that many commodities on the market today are being sold at below their
720 productive cost.

Commissioner Long: You never did get that thing straight, Mr. Viosca. I understood you trying to get at what percentage of the raw material used in the telephone system were represented by copper, lead, and poles,—raw materials.

Mr. Yundt: Yes, Mr. Commissioner, I think that I understood his question. I said that the raw materials were probably ten per cent of the cost of the plant account or investment per station.

Commissioner Long: I am talking about what perce-tage of the material purchased,——

Mr. Yundt: Oh, I don't know. I don't know, but I brought out here,——

Mr. Viosca: That would make it approximately twenty per cent,—you said that fifty eight per cent of the material was investment did you not.

Mr. Yundt: No, sir, I said that fifty eight per cent oa a plant that was being built was materi-l, but that lead, copper and poles were a much lesser part than that.

Mr. Viosca: Well, copper, lead and poles would be, accordingly to your rough estimat-, one third of that fifty eight per cent, which would be practically twenty per cent of the total investment.

Mr. Yundt: Yes, sir, but those materials that I am using are manufactured materials. When you buy copper and lead in the shape of a cable you are paying a whole lot more than the pig price for copper. Take the pig price of copper today, which is about fourteen cents. That means about nineteen cents per pound for No. 12 guage wire and twenty and twenty-one or twenty-two cents fro the smaller sizes, and then you have to pay friehgt from the mines to the wire drawing mills in New England, and freight from New England to Chicago where it is cabled, and then there is paper and insulation on every wire,—colored papers so you can distinguish the wires from each other, and all of them makes it a very expensive article. There is not over,—well I will say,—about forty per cent of a cable that is raw material.

Mr. Viosca: Well, manufactures cables though is now less than what it was thirty days ago, isn't it?

721 Mr. Yundt: It should be somewhat less than it was two or three months ago. I will say that, but if we placed orders three months ago and the manufacturers then bought the copper, lead and paper on the market and made commitment for those materials they made them at the prices then prevailing, and when we get that cable, even if it be this fall or next spring, we will have to pay for the finished article on the basis of the raw material cost at the time the commitment was made.

Mr. Viosca: You seem to place considerable stress upon the fact that contracts have already been made. You are not asking for any increase in rates only to cover last year's business, or an the basis of last year's business, and this, as I understand, is to apply to the future. Now, isn't that condition only temporary so far as your contracts that have already been made are concerned?

Mr. Yundt: Well, that is true, to a degree. The price of finished material generally lags behind the frop in the prices of the crude ma-

terial. Now that the drop is here in the raw material why there should be some drop in the finished material next year.

Mr. Viosca: In other words, you may sustain a temporary loss on the past contracts, but you have passed the peak of the high prices and in the future you are going to get the benefit of the lower prices. Isn't that so?

Mr. Yundt: I don't quite understand what you mean when you say that we will sustain losses.

Mr. Viosca: I mean that you will not gain as much from those contracts as you will from your new contracts,—in other words you will get the benefit of lower prices under the contracts that you will make from now on.

Mr. Yundt: Well, that is true, to the extent that the reduction in the cost of the raw material is a certain proportion of the cost of the finished material; but when you dig into these matters of
722 raw materials and finished articles you will find, if you trace it back and back, that pretty nearly eight- five per cent of the *untilmate* bill is labor, somewhere. Therefore, a big reduction or a moderate reduction in the price of the raw product itself is not always reflected to any great extent in the cost of the finished product unless there has been a proportionate reduction in the cost of the labor which it takes to convert that commodity from a raw material to a finished article.

Mr. Viosca: Now, getting to the labor question, don't you believe as a matter of fact that labor, skilled and unskilled, is bound to come down in the course of a few months?

Mr. Yundt: I think that as taken as an average tha wage bill of the country is going to be reduced, yes.

Mr. Viosca: Hasn't it been reduced to some extent already?

Mr. Yundt: Yes, and I think it will be further reduced, but it does not follow from that that telephone people,—linemen and cable splicers, and operators, *and* etc.,—are going to have their wages reduced.

Mr. Viosca: You don't think that they will be affected by the general downward trend of wages?

Mr. Yundt: No, I do not. I think they are too little. I think the communities have paid too little for their service. In other words I do not think that telephone employees, taken as a whole, have in the past been paid adequate wages.

Mr. Viosca: In other words you do not think that they have been getting adequate wages up to now.

Mr. Yundt: No, I do not. I am frank about that. The telephone business is suffering even today from its original start. Conditions were much different in the earlier days of telephone operations, both with respect to operation and with respect to the labor question, and that is especially true as to operators. Here, we will say,
723 was a widow, who wanted to earn a few dollars a week and she secured employment as a telephone operator, and we probably paid her five or six dollars a week, meeting, of course, the competioion for that kind of labor in the community in which she

was employed. Now, that condition is all changed. Business conditions have changes and social conditions have changed and it is now absolutely necessary that the telephone company pay a sustaining wage if it is to retain the service of its employees and secure new employees as the demand grows. We need so many operato-s to serve this great telephone demand in the various communities that we have actually to go out and compete with other employers of labor and pay whatever wage rate may prevain in that community, and additionally, we have to provide conditions which will attract the young women into the telephone service. We have got to do that same thing with linemen and cable splicers and plant employees generally. In my judgment they have never been adequately and properly compensated for their service. I showed you here that the average wage rates in the five or six towns in Louisiana was only ten dollars and some odd cents a month.

Mr. Viosca: Now, what you have just stated, as I understood it, was your opinion of what was going to happen with respect to labor employed directly by the telephone company. However, don't you concede that the labor that goes to make up these finished products and materials will drop considerably, if it has not already done so?

Mr. Yundt: Well, I think to some extent that will be true. Those workmen who are engaged on buildings, men who are building brick walls, and the men engaged in hauling material from one point to another, and then common labor, of which we employ some, those will come down to some extent, and the extent that there will be a reduction in the wayes paid in Lumber mills that make cross arms, or wages that are paid in the forests to men who
724 cut poles, why, we will be benefitted.

Mr. Viosca: Have you a statement of the total amount paid for labor of all kinds by the company during these years that you have covered in your exhibits?

Mr. Yundt: No, sir, I have not. I had it on a per station basis. Well, let me see,—I think that Exhibit 9 or Exhibit 10 brought that out in a few months. I think that the month of July,—well, I find here that for the month of June 1920, the wage bill of the Cumberland Telephone and Telegraph Company was $715,057.30 for that month.

Mr. Viosca: That is for the four states in which you operate, of for Louisiana?

Mr. Yundt: For the four states.

Mr. Viosca: That was the total?

Mr. Yundt: Yes, sir, the total wage bill for that month.

Mr. Viosca: For all kinds of labor?

Mr. Yundt: Yes, sir.

Mr. Viosca: How much of that was for operators only?

Mr. Yundt: Nearly one-half, of $311,577.60.

Mr. Viosca: How much was for unskilled labor?

Mr. Yundt: I should say that it was less than $50,000.00.

Mr. Viosca: Well, let me ask you this: What trouble are you ex-

periencing now in getting deliveries of material from the manufacturers or the mills?

Mr. Yundt: Well, deliveries are good. We began in September to get along very well.

Mr. Viosca: Is it not a fact that the producers of the material that you now need to extend your service are in the same situation as are all other producers,—they are overstocked and can supply your demands at once?

Mr. Yundt: Well, I cannot speak for them, but I do know
725 that deliveries are good at this time. We suffered a period there of nearly four months when we didn't get one-half or even one-third of what we were looking for, but now those back orders are coming in, but naturally we have had a set back of several months.

Mr. Viosca: There is nothing now then that would prevent an immediate installation of all extensions ordered as far as deliveries are concerned?

Mr. Yundt: Well, it depends on what you want: If last year we placed orders for a certain amount of switchboards and the manufacturer said "this is all we can give you," and you placed that order and you counted on getting it, and it didn't come in, then naturally you are several months behind, and in the meanwhile several thousand more people have applied for service. You can readily see, therefore, the situation that you are in. The things that have to be manufactured for the New Orleans city offices or for say, Shreveport, or for any other community, take months and months to complete. Manufacturers told us that we could not ask for equipment in 1920 beyond what we had on our schedule. They told us that they could not produce it, and so we went to the leading equipment concerns elsewhere, but even they are falling down.

Mr. Viosca: But take a specific illustration: Supposed in New Orleans I asked for a residence telephone, is there anything to prevent you from supplying right now?

Mr. Yundt: Yes sir.

Mr. Viosca: What is it?

Mr. Yundt: We have no switchboard on which to put you, and we have no cable with which to connect you with the office?

Mr. Viosca: Why haven't you those things? Why cannot they be supplied at once, on an order put in now, or which should have been put in months ago.

726 Mr. Yundt: Because if you were to order a board now, and everything was on a pre-war basis, under the most favorable circumstances it would be nine to twelve months before you could get the board.

Mr. Viosca: What is there so complicated about a switchboard?

Mr. Yundt: It is just like a watch,—thousands of small parts. It must be put up right there and every wire in it has to be considered and it takes months and months to install a board.

Mr. Viosca: In other words you cannot make any further extensions in the City of New Orleans unless you have new switchboards?

Mr. Yundt: Additional switchboard-,—and please bear in mind

they are switchboards that have been ordered and should be in service now, but they are not. When they come they will be installed.

Mr. Viosca: Well, there is nothing now to prevent the prompt delivery, is there?

Mr. Yundt: Expect that they cannot make them.

Mr. Viosca: Why,—you mean they cannot make them in that length of time,—that it — going to take several months to make them?

Mr. Yundt: As I told you, one manufacturer has expanded his force from twenty thousand employees to over thirty thousand employees, manufacturing nothing but switchboards and telephones, and yet they are a year behind.

Mr. Viosca: Well, as a general summary of the whole situation would you not say that you can render the same service today for less money than you could six months ago, or three months ago?

Mr. Yundt: No, sir.

Mr. Viosca: Your labor is not as high as it was then, on the whole, is it?

Mr. Yundt: Well, our labor is higher, except for a few unskilled workmen, and our labor is going to be higher next year. Now, here is another thing that enters into the telephone situation. You are old enough to have come recollection of some City like New Orleans, or Shreveport, or Baton Rouge,—going back to be-
727 fore the war,—they were reasonably compact towns. The people were served with telephone- throughout the area that the towns occupied, but look at those cities to-day; away out from what were the centers of population and the centers of residential districts before the war they have built a great neber of splendid houses. New subdivisions and residential districts have been opened up and people have moved out, and that of course is reflected in the average length of the subscribers lines. It takes more people to cover the same territory.

Mr. Viosca: But couldn't you furnish the same service today for less money than you furnished it six months ago?

Mr. Yundt: You mean if the town was no larger and there were no more telephones in place?

Mr. Viosca: Well, you haven't made any appreciable extensions in the past six months, have you?

Mr. Yundt: I told you there was over a million dollars right here in Louisiana.

Mr. Viosca: But I was talking about New Orleans,—you haven't put in very many new telephones in New Orleans in the past few months have you?

Mr. Yundt: Oh, yes, we have.

Mr. Viosca: Then you can add to your number of subscribers without these additional facilities,—these additional switchboards that you have been talking about?

Mr. Yundt: At times, at certain exchanges, we can, and in other exchanges we cannot. Then, too, concerns are putting in private branch systems. The one or two lines that they had they have

converted into trunk lines and their operators then operate our switchboard, and in that lockt ion cares for many more telephones. In that way we are growing right along.

Mr. Viosca: In other words, then you contend that the rule applie- to all businesses, that the bigger the unit the smaller the cost proportionately, does not apply to telephone cost?

728 Mr. Yundt: It does in some respects and in others it does not. Take the case of a newspaper. You put an advertisement in a newspaper which has a circulation of one thousand, and then you put that advertisement in a newspaper which we will sa- has a circulation of ten thousand and you pay more proportionately, and should pay more, for having ten thousand people read your advertisement, but when you begin to view it from other standpoints, of course, if we buy one pairs of cable in one order and four hundred pairs of cable in another order it is probably true that we can buy the four hundred pair at a cheaper rate, or at a lesser rate, per pair than we can the one hundred.

Mr. Viosca: Cannot you make more money by serving fifty thousand subscribers than you can by serving twenty five thousand subscribers, charging the same flat rate in both cases?

Mr. Yundt: I think not.

Mr. Brown: Mr. Yundt, some time back, there was an advance put on for service, or, at least, a service rate was put in. That extra amount that was charged, I understood, was to be for the purpose maintain- telephone systems. In other words, *the purpose of maintaining telephone systems. In other words,* the telephone companies realized that — they were giving to the general public was so rotten all over the country and so many kicks being made that that advance in rates was to be used for maintaining the system and giving good service. We are asking for that good service now. We are getting no service at all. We are asking for that money that we had to put — actually be used in the maintenance of the telephone lines, so that we can get at least half way a decent sevice. Now, is this advance you are asking for, is that to be used for the purpose of maintaining the lines and giving good service for telephones you have already put in? That is the thing that we are interested in, you understand. I don't mind paying for something nor does any other man, but he wants what he pays for. It is the nature of the American man that if he can get what he pays for he is perfectly satisfied but if he is got to pay for something

729 and get nothing, then he raises a kick and that is what I am kicking about right now,—*toe* rotten service that your company gives us. Do you see the point?

Mr. Yundt: I presume that you have reference to the change in rates that was made during the period of Government control.

Mr. Brown: Yes, sir, in other words, in place of paying an operator seven dollars a week as you are doing in my town,—in place of paying a girs seven dollars a week, you go ahead and pay one twelve or fefteen dollars a week you might be able to give us some kind of decent service. You take in my town there, I have gone down the *the* Police Jury room and I have rung as many as six

different times before I could ever get the central to answer. They attribute it to the *gad* wires and the condition of poles, etc. Now, what I want this money,——

Chairman Taylor: Well, Mr. Brown, you are getting a long ways away from the subject. If you have any questions that you want to ask this witness go ahead and ask them, but don't argue with him.

Mr. Brown: Well, the question that I want to ask you is this: What do you propose to do with this increased mo*e*ny, with these advances,—if they are granted to you by the Commission? Do you propose to give us better service, or do you propose to keep on giving us the same rotten service? That is what I want to know.

Chairman Taylor: Well, answer that question, if you can, Mr. Yundt.

Mr. Yundt: Well, just as I was telling this gentleman, I think wages should be raised. I would like to see the wages raised. I believe that better service will result to the subscribers with a better average wage rate. Now, other industries are paying considerably more than the same character of man gets in the telephone business,——

Mr. Woodside: That answer is not responsive to the question, Mr. Chairman. The question that Mr. Brown asked this witness was as to whether or not these increased rates were going
730 to be used for the purpose of improving the service. He wants to know whether this additional mo-ey is going to be used in maintaining the present system or will it be used for the extension of the system. I think he is entitled to a clear cut answer, Mr. Chairman.

Mr. Viosca: On for increases in your profits, or you- dividends rate for you- stockholders.

Mr. Yundt: Mr. Hoxsey will answer that whole question for you. I can tell you this: That the additional money is necessary, first, to care for the employees and to care for the money already invested in the business. Both are necessary for the improvement of the service; but the money which will be secured through the increased rates, I can tell you definitely will not be used to buy material and to buy labor for the making of extensions. That much is definite.

Chairman Taylor: Now, hold on. This brings us to another question entirely. The propoganda and the advertising that has been put out by the company all over the country is to the effect that this increase is asked for for the purpose of giving nine thousand people in the State of Louisiana telephone service. Is that your proposition? It is alleged in the petition to the Commission, and yet you tell us now that these advanced rates are not for the purpose of increasing or extending the business. Let us know where we are right now. What do you propose to do with the money that you will get from these increased rates, if the Commission gives you arthority to advance them?

Mr. Yundt: Our counsel brought that out this morning. Perhaps I can make it clear in this way,—I tried to convey it to one of the Commissioners,—here is a man with an income of $125.00 a month

and his expenses are $120.00 a month. Now, he says to himself, "I Need a home. I have got to buy a house for my family to live in," and he goes to his banker and says: "I want to buy this house over here". Well, the banker says: "how much money have you". He replies "I haven't any". The banker then says to him: "Well, what is the difference between your income and your expenses?"
731 and the replies that it is five dollars a month. The banker says: "Well, five dollars a month is sixty dollars a year, and that only pays interest on seven hundred and fifty dollars. We can't loan you that money. If you can increase your earnings so that you can get $145.00 or 150.00, they you have gotten enough income over your expenses to warrant me loaning you the money so that you can buy the house." That is the whole story.

Chairman Taylor: Now, we are confronted with this proposition: If I Read the newspapers correctly, you spent hundreds of dollars advertising this proposition to the general public, and you said that you had to have this increase in rates in order to increase your service,—to put in new telephones all over the State of Louisiana. In one of your exhibits here you showed that there were nine thousand people in Louisiana who want telephone service right now and who you are not in position to give service to.

Mr. Yundt: Yes, sir, that is correct.

Chairman Taylor: Now, this advertising campaign you started all over the country. I presume, was for the purpose of creating public sentiment in favor of this increase,—in the hope of interesting the fellow who has no telephone now and wants one, so if you got this additional money he could get his telephone. Now, am I right about that proposition?

Mr. Yundt: Counsel developed this: That if the earnings of the company through its revenues was sufficiently above its expenses that that difference would be a fair return upon the amount of money invested in the furnishing of the service, and that our credit at once made good. We are like the man going to the bank. Unless we can show a satisfactory rate of return or earning on the money we already have invested it is hopeless for us to endeavor to secure new money with which to extend the service.

Chairman Taylor: But that is not the impression that you have created among the people of this State. For instance, I know
732 of one or two instances where specific amounts have been promised to increase the service in particular towns if this rate increase was secured,

Mr. Chipley: Do you mind naming that point, or those points, Mr. Chairman?

Chairman Taylor: Not at all. The City of Crowley is one of them. You promised the City of Crowley a building to cost $130,000.00 if this rate increase went through. I was in conversation with Mr. Moore, the representative of the City of Crowley, and he says: "Because if it goes through we get a $130,000.00 building out of it,—over one hundred thousand dollars with the lot and improvements,—in the City of Crowley." I said: "That is a selfish interest, but that is the impression that evidently somebody has created in the

mind of the representatives of these various towns. The telephone Company has had its representative, I presume throughout the State, working for this increase,—that is, working up the public sentiment,—and I suppose that is the impression they have left.

Mr. Chipley: Well, I apprared before Shreveport and I dod not make any such talk. Now there has been a whole lot said about proppganda,——

Chairman Taylor: Well, what I want to know is what this witness understands about where the money is to go, where it is you- intention that this money is to go in the event you get the increased rates, is it going to improve your service, or is it going to go into additional service.

Mr. Yundt: Well, we want to do both. We want to do many things. We want to improve the service, and before it can be improved there must be additions. Before it can be improved there must be an improvement in the person-el operating the plants, and before we can grow to take care of this accumulated demand for service we must make further additions. Now, out of these rate increases, whatever they may be, that advance in the city of Crowley alone would not in many years cover the cost of improvement
733 necessary at Crowley. They might cover the interest and the improvements themselves in a great many years.

Chairman Taylor: Well, that is the point that I made with Mr. Moore: is it right to assess the whole country with additional telephone costs in order that the City of Crowley might get a new telephone building and a few other improvements? Your position is, then, that no-e of this rate increase that you are talking about is to be put into buildings or equipment, or other things until after you have brought your present service up to the standard?

Mr. Yundt: Why no, I do not look at it that way. My proposition, and the proposition of the management of the company is this that in the various exchanges the facilities have simply reached their limit,—that is they have reached their limit so far as handling business is concerned. We have come to a point where we cannot expany. We must, therefore, add to the plant, and all of that means that a large amount of money must be laid out in these projects for the purchase of materials and the payments of labor costs and etc., to build them. Now, as I have explained to you, I am not the financial man of the company, but my understanding of it is this: I go to them with certain plans and certain propositions and they say this: "You say that you need so many millions of dollars to carry out these plans and improve the service and to expany the system so as to take care of the additional demand for service. Now, we have got to raise this money". Before any of these projects can be carried out, the money with which to finance them must be secured. Now, for us to raise those millions of dollars means that we must be able to pay the interest charges necessary to borrow that money.

Mr. King: Well, summed up, as I understand it, you don't know what the company is going to do with this money,—whether they are going to use it for improvements in the present telephone systems,

or whether they are going to use it for putting in additional improvements and extensions?

734 Mr. Yundt: With the money that will be available under the increased rates they are going to do both—additions and extensions are necessary in order to improve the service.

Mr. King: Do you know anything about the proposed additions and improvements in the City of Lake Charles as laid out by the company,—or that are to be put up there if the company gets the increases?

Mr. Yundt: No, but I do know that Lake Charles and Crowley and several other cities have been under consideration for replacements and improvements so as to give better service and more service, at a time when it is economical to displace those properties there at present with new and larger equipment.

Mr. King: Then you don't know of your own knowledge whether the company gets this rate advance, whether they will use it to make improvements that they have put out in the propofanda that they spread around Lake Charles?

Mr. Yundt: I believe they would if the company had said so. I am not quite sure, of course, that the company has said so. I do not know.

Mr. King: Well, they have put out this talk that they were going to put up a building in Lake Charles and spend about six hundred thousand dollars there in improvements generally. Now, you don't know whether they are going to do that or not, do you even if they get these increased rates.

Mr. Yundt: I do know that we will do a great deal of work in Lake Charles. As I recall it, the plans,—tentative plans,—are in existence to carry that work out sometime within the next three or four years. It may be earlier than that.

Mr. Brown: Now, Mr. Yundt, in case the Commission passes favorably on this graft that you are after,——

Chairman Taylor: Mr. Brown, you must not use such language as that.

Mr. Brown: Well, I will say increases,—in justice to the State of Louisiana and the people who patronize your company, do

735 you think it is right to spend six hundred thousand dollars in Lake Charles and two hundred thousand dollars in Crowley of this money that you are now here after, and which is supposed to go for the purpose of improving the service? That is the whole thing that we are talking about, you understand,—giving us better service. Do you think it is right to spend that much money on those buildings in those two towns?

Mr. Yundt: I will say no to your question because it is not properly put.

Mr. Brown: It is put just exactly like I intended to put it.

Mr. Yundt: Well, it is a very difficult question to answer, because as I appreciate it, it is really no question at all. However, I will say this: I think it is proper and right to put as much money in buildings and other equipment in any community as the needs of that community require in order that the proper service may be

rendered. I hope that answers your question. If it does not, I am afraid I can do no better.

Mr. Viosca: Mr. Yundt, have all the necessary switchboards for the City of New Orleans been ordered already to take of the present demand and in the immediate future?

Mr. Yundt: The orders already placed will care, I believe, for the larger proportion,—for a majority of the applications now on hand, but no more.

Mr. Viosca: Not all of them, however?

Mr. Yundt: I think not.

Mr. Viosca: Do you know what percentage?

Mr. Yundt: Perhaps two-thirds.

Mr. Viosca: What is the present intention of the company with reference to the installation of the necessary switchboards?

Mr. Yundt: We would like to provide them as soon as we can.

Mr. Viosca: Well, if it takes that long,—about nine months I believe you said,—to make them up, why has not the order been placed already so that they will be here shortly.

736 Mr. Yundt: There has been no commitment made for switchboards and for other facilities to be provided in the next year other than part of this year's program which has lapsed over in to next years by reason of the delay.

Commissioner Long: I tell you something, gentlemen, and that is that I think this whole examination that you are making with regard to what they are going to do, so far as the question of service is concerned, and the service that they expect to give, it is all under the jurisdiction of this Commission anyway, and if you people who do not get proper service would avail yourself of the jurisdiction of the Commission you might get along a whole lot faster than you are by discussing it and arguing it here.

Mr. Viosca: Well, my idea in going into this,—I left it out purposely in the beginning,—but my idea is going into it now is for the reason that in as much as there seems to be some intention to use some of these increase- to furnish facilities elsewhere, I was wondering whether they were making their extensions in New Orleans contingent upon whether or not they got these increased rates. In other words, I would like to know whether it is the intention of the company to provide for the necessary increased rates. In other words, I would like to know whether it is the intention of the Company to provide for the necessary increases in the facilities in New Orleans regardless of whether or not this increase in rates is granted.

Mr. Chipley: Do not answe*t* that question, Mr. Yundt, Mr. Hoxsey will answer that when he gets on the stand.

Mr. Viosca: I calculated, figuring on your investment of ten million five *fife* hundred and thirty five thousand, two hundred and ninety one dollars, for the year 1919, which you brought out in one of your statements,—I have figures out here that a twenty per cent increase in your rates, even if your expenses do not become lower, would enable you to pay a dividend of thirteen per cent, instead of 5.59 per cent as it was in 1919.

737 Mr. Chipley: Well, that is something else that will be answered by Mr. Hoxsey. You can do all the calculating you want while Mr. Hoxsey is on the stand and he -ill calculate right along with you, Mr. Viosca, but this witness is not a financial man.

Mr. Viosca: Well, you have given portions of these figures here and other portions you have not; and I suppose that when Mr. Hoxsey takes the stand he will say that you have already covered the subject, when as a matter of fact you have not. You gave the investment figures here, but when we come to ask him about the effect of these requested increases then you say that he doesn't know anything about them.

Mr. Chipley: He gave the investment figures, and that is practically all he did give. As a matter of fact I gave the investment figures. I said that the investment was so much and then he based his testimony on that.

Mr. Viosca: He said that $10,500,000.00 represented the present value, or that $10,500,000.00 represented the investment and that the value at this time was nearly $18,000,000.00 if I remember rightly.

Mr. Chipley: I said that the investment was a certain amount and I asked him if the investment was that much what would it cost to reproduce the property. Gentlemen you are simply wasting time putting questions of this kind to this witness.

Mr. Viosca: Those exhibits covered that very question, because the Chairman let it go in over an objection.

Commissioner Long: I will tell you where you have not drawn the line: This man has testified to the property and the property values and the cost of replacing it, and the equipment. He has absolutely staid clear of the question of capitalization.

Mr. Chipley: That is exactly correct.

Mr. Henriques: He said that summing the book values showed it to be so and so what it would cost to replace that some kind of
738 property, but he did not testify that it would cost $10,500,000.00 or any other particular sum.

Mr. Viosca: Very well, assuming that it cost $10,500,000.00. you say that the present replacement -ost, less depreciation, which you have figured, would make its present value $17,282,591.00. Is that the replacement cost for the property in the State of Louisiana?

Mr. Yundt: That is what it would cost *ot* reproduce it under the conditions existing today, yes, sir.

Mr. Viosca: Well, that is the actual value of it, is it?

Mr. Chipley: There is nothing in there for going concern value, that the courts have said is a proper factor to take into consideration, Mr. Viosca:

Mr. Viosca: That would make it more, then?

Mr. Chipley: Certainly.

Mr. Viosca: The physical property though is worth that much money,—$17,000,000.00?

Mr. Yundt: It would cost that much to reproduce it under existing conditions. I did not say what its value was.

Mr. Viosca: I understood Commissioner Long to say that is was turned in for taxes at about nine million dollars and a half.

Mr. King: You have said that it will take about nine months to obtain these exchange facilities that you have already ordered for the various exchanges, did you Not?

Mr. Yundt: I said that even under the favorable conditions to get these switchboards, as big as those required for New Orleans would take a minimum of nine months. It takes much longer as a rule.

Mr. King: Then how would any increase in your rates get those things quicker?

Mr. Yujdt: I don't know.

Mr. King: You have a charge or make a charge for putting in telephones, do you not?

Mr. Yundt: I believe there is a service connection charge. I really am not familiar with those charges, however.

739 Mr. Chipley: Yes, there is a service connection charge and the records of the Commission show what it is.

Mr. King: That has been added on within the past year or two, hasn't it?

Mr. Yundt: As I recall it, it was introduced during the period of government control and has been continued since that time.

Chairman Taylor: It is one of the Burleson rates.

Commissioner Long: Now, if everybody else is through with this witness I would like to ask him one question.

Mr. Chipley: Go ahead, Mr. Long.

Commissioner Long: Mr. Yundt, are the revenues of the company at the present time being usee in any part of the purpose of installing new property?

Mr. Yundt: I do not think so.

Chairman Taylor: Then evidently you did not understand Mr. Long's question.

Mr. Yundt: Oh yes, I understood it. The money that is used in the growth of the property or for the improvement of the property is a capital obligation.

Chairman Taylor: Where do you get that money?

Mr. Yundt: We borrow it.

Chairman Taylor: But Mr. Long asked of you if any of the money that you were earning now went for that purpose. He did not ask you anything about what you would do under the increased rates.

Mr. Yundt: Well, to the extent that it used to pay interest charges I would say that it was being used for the purpose of making extensions, yes.

Mr. Amis-: Mr. Chairman I would like to ask the gentleman one question. I would like to ask the witness if he has anything to do with the making of plans for the future,—say for next year or the following year?

Mr. Yundt: I do, yes sir.

740 Mr. Amiss: Do you know whether there are any plans made for Baton Rouge for the years 1921 and 1922?

Mr. Yundt: I believe there are.

Chairman Taylor: Well it is now five thirty, and we will adjourn the hearing until nine o'clock to-morrow.

(Whereupon at 5:30 p. m., Wednesday, December 15, 1920, the hearing in the above numbered and entitled matter was continued until December 16, 1920, at 9:30 a. m.)

December 16, 1920.

Chairman Taylor: We were discussing Baton Rouge last nigh-, Mr. Amiss, when we adjourned. Had you finished with the witness?

Mr. Barrow: Mr. Amiss does not seem to be present this morning, Mr. Chairman.

Chairman Taylor: If anybody else has any*thing* further questions for Mr. Yundt, they had better take him up now and finish.

Mr. King: How much money has your company spent in the publication of the different pamphlets, and propo*panga*, and advertising distributed over the State in this campaign to raise its rates, Mr. Yundt?

Mr. Yundt: I don't know, sir. It can be determined, however.

Mr. King: You are an officer of the company, are you not?

Mr. Yundt: Yes, sir.

Mr. King: You are also a stockholder?

Mr. Yundt: No, not of the Cumberland Company. I am a stockholder of the American Telephone and Telegraph Company.

Mr. King: But not of the Cumberland Company?

Mr. Yundt: No, sir.

Mr. King: Did the Cumberland Company pay any dividends in 1919?

Mr. Yundt: I will refer you to Mr. Hoxsey, who can tell you the amount and the rate. That is a question of finance entirely, with which I am not familiar with.

741 Mr. King: You were here the last time when your company first appeared before this Commission, were you not?

Mr. Yundt: No, sir.

Mr. King: Did you have anything to do with the compiling of this report that was filed in answer to the request of the railroad Commission, which shows the ratio of increases?

Mr. Yundt: No, sir.

Mr. King: Do you know the general percentage,—the general percentage of increase in rates which the company is askin*f* for in this case?

Mr. Yundt: No, I do not.

Mr. King: You say that there — about nine thousand people waiting for telephones at this time?

Mr. Yundt: Yes, sir, in Louisiana.

Mr. King: Isn't that great number attributed largely to the slacking in the furnishing of new telephones during the war, and during the past two or three years? You did slacke*d* up in putting in new telephones during the war, did you not?

Mr. Yundt: Yes, sir.

Mr. King: And isn't that nine thousand waiting list considerably larger than it would have been had it not been for t-at slacking up?

Mr. Yundt: It probably is a little larger than it would have been. As I showed by Exhibit No. 1, the average gain per year was 3,040 and for the two years prior to this country going into the war and during the two years in which we were at war,—1917-1918—we had put in an average of 1,166,—about 1,900 per year under the average, so if you take those two years at a reduced gain of 1,900 per year that would be 3,800 telephone-, but we put in 13,600 in the two years following, and so subtraction the 3,800 from that there is a gain of about 10,000 or still 4,000 more than the normal rate.

Mr. King: Then you would not assume that there would be the demand for telephones in the next two or three years that there is at present time?

742 Mr. Yundt: On the contrary, I believe that the growth in telephones has just begun in this territory. These towns and these communities are growing very rapidly.

Mr. King: And the more telephones, you operate, the more money you make, of course,—isn't that true?

Mr. Yundt: If the rate is profitable it would increase the aggregate but the return on the dollar invested would be no more. You make no more money by operating 100,000 telephones than you do by operating 10,000 telephones,—I means on the ratio on the capital invested, if the rate of earnings on the investment is the same. Of course, it is true that the aggregate earnings would be greater, but the rate of earnings per dollar invested would be no greater. Now, it happens that the great big telephone exchanges are found in big cities and big cities cover a large amount of ground so that the length of the line is increased, the volume of traffic is increased and the general cost of operation in big cities is greater.

Mr. King: Then I understand that the volume of your business makes but little difference in the percentage of profits that your company makes?

Mr. Yundt: Oou- only desire is to earn a reasonable return on the invested capital in the property, regardless of how great or how little that capital is.

Mr. King: Now, these figures that you submitted yesterday on cost, etc., how were they made up?

Mr. Yundt: What costs? Do you refer to traffic wages?

Mr. King: All of the figures that you presented yesterday. Did you make them do for any specific date? First let us take this replacement cost, for instance, is that of this date or is it for some months back?

Mr. Yundt: Well, that would be based upon the average cost so far this year, so it would naturally include the cost of that of today. The statement was made up about thirty days ago.

Mr. King: Then it is not made up on the figures of the cost of today?

743 Mr. Yundt: Necessarily it could not be made up and presented today, no, sir.

Mr. King: What is the book value of the stock of the Cumberland Telephone and Telegraph Company?

Mr. Yundt: That is another matter that Mr. Hoxsey will answer for you. I do not know.

Mr. King: Now, Mr. Yundt? Several months ago you required everybody in the State,—Lake Charles at least,—to pay for their telephone service in advance notwithstanding the fact that the contract did not provide that they were to pay in advance for telephone service. Is that true or not?

Mr. Yundt: I cannot tell you definitely about Lake Charles. I do know as a matter of fact, that all contracts as they were taken from time to time, where people would pay for the service for the month in which they were receiving the service finally grew to such a large percentage of the tatal that we finally just changed over to where all of them paid for thier service currently.

Mr. King: There was no application made to the Railroad Commission for that change, was there?

Mr. Yundt: I do not know about that.

Mr. King: Now, this service charge for connection telephones that you obtained during the war. That has not been discontinued has it?

Mr. Yundt: No.

Mr. King: Now, you obtained during that period of government control, we might say, two different raises: One raide in the toll rates and one raise in your exchange rates, did you not?

Mr. Yundt: I believe so, but I am not entirely familiar with that,—I am really not at all familiar with the rate situation.

Mr. King: Now, what increase was made in the wages of telephone operators,—the telephone girls,—when you obtained that increase?

Mr. Yundt: Mr. Hoxsey has all of that information right
744 at the end of his fingers. I also gave those figures in my Exhibit No. 9. Did you see that Exhibit No. 9?

Mr. King: No. I did not see it.

Mr. Yundt: Well, Exhibit No. 9 shows how the wages paid operators averaged per station for a two year period.

Mr. King: Yes, but my question was whether there were any raises made to the telephone girls paid out of the raises of thirty and sixty per cent,—or whatever they were,—that you got a few months ago?

Mr. Yundt: No, sir.

Mr. King: There were no raises in their wages made on account of your raise in teelphone rates, then?

Mr. Yundt: What I want to sau is,——

Mr. King: But will you answer that question, please.

Mr. Yundt: The wages had been raised and then we had to get a rate increase in order to pay those wages,—the expenses have gone up so high that it was necessary to get tha increases in order to pay the expenses.

Mr. King: Can you tell me why the stock of the Cumberland Telephone and Telegraph Company is not on the Market? Is it because it is held in the hands of a few men who do not want to sell it, or is it because of the great value of it?

Mr. Yundt: Mr. Hoxsey will tell you why that condition exists.

Mr. King: Very well, than.

Mr. Nesom: Mr. Yundt has the budget for improvement been made for 1921?

Mr. Yundt: Yes, sir.

Mr, Nesom: Well, what is contemplated in that budget for Alexandria?

Mr. Yundt: For Alexandria there is contemplated something over $30,000.00 for additional line plants and central office to take care of the present station demands. Now, Alexandria, of course, is a growing town, and we have some plans in mind for it- development and we know about what it will cost to carry those plans out.

745 Mr. Nesom: Well, is there any contemplated plans for improvements such as a building for the Alexandria exchange, within the nixt five years?

Mr. Yundt: Yes, sir, we are in rented quarters at present in Alexandria and those quarters will be soom exhausted in capacity. A couple of years ago I was over there and arranged with some man about building a little addition over his property adjacent to the property that we occupy, so that the operators would have retiring quarters. That will enable us to run for a few more years, and then as we get bigger those quarters will be inadequate. We will pass the three thousan- station mark in a few years. The town is a very good town and is growing rapidly and we will have to have permanently established facilities there. With our own building there and with new line plant and new central office equipment and all, we will probably spend in five years as much as six hundred thousand dollars or more.

Mr. Nesom: Well, do you know it to be a fact that Alexandria has been promised certain improvements, as you have just mentioned, by you several years ago, or by the Cumberland Company?

Mr. Yundt: No, sir, I do not.

Mr. Nesom: Have they not promised the city of Alexandria that certain improvements would be made there? You don't know that?

Mr. Yundt: No, sir, I do not, but I will say this: That I did go over Alexandria and look it over as an engineering matter and made a forecast of what would be needed there. Now, during the war and during the government administration of the wires all of that was side tracked, and it must now be taken up first, when it can be taken up.

Mr. Moore: Do you know whether or not Crowley has been included for any improvements?

Mr. Yundt: Yes, Crowley, Louisiana, is a rapidly growing town in the Southwestern part of the State, and there too, we are 746 in rented quarters and we will have to do something to take care of the future growth of that community,—to put in on a sound tele-hone basis in proportion to the population that we think will.

Mr. Yundt: It appears to have been prepared in New Orleans. It seems to have been prepared by Mr. C. A. Stair the General Manager of the Cumberland Telephone and Telegraph Company.

Mr. King: Then, of course, you don't know whether that is the proposed plan of your company for the city of Lake Charles?

Mr. Yundt: I might be able to tell you. Well, the amount of money agreed, and the big features of the plan,—to build a central office and the equipment of a mechanical type agree. Of course, there are eight or ten pages here and I cannot read all of it.

Mr. King: Well, I will offer this in evidence as my Exhibit No. 1.

(Whereupon the document so offered and identified, was received in evidence, and marked "King's Exhibit No. 1".)

Mr. Barrow: King, let me ask you this, for the sake of the record. You are offering this as you- evidence?

Mr. King: I offer it for what it is worth.

Mr. Barrow: I thought perhaps you would like to have it go in a- a part of the protestant's evidence rather than the company's evidence.

Mr. King: I want it in evidence to show what they proposed to do.

Mr. Barrow: Very well.

Mr. Amiss: Mr. Yundt, will you furnish to the Commission or have you prepared a plan of your contemplated extensions in Baton Rouge?

Mr. Yundt: No, I have not prepared any exhibit on that, Mr. Amiss, because all of it is an estimated forecast and no man can for-see what is going to happen; but if things continue here as they have been for several years we will be called upon by the very nature of the business to make certain very extensive changes here, but just what it will cost no man can say.

747 Mr. Amiss: I understood that the company contemplated doing certain things in the next five years in the State of Louisiana and that was what I wanted to find out,—whether those extensions which the company contemplate were going to be offered to the Commission.

Mr. Chipley: The evidence that we will put in on that point will be our construction program for 1921; but we are not in position to give any figures beyond 1921 because we do not know or haven't any — of finding our even approximately even what the cost will be in 1922. We have a general idea for the five year program and we are perfectly willing to discu*ll* it with you, with the understanding that what we are putting in evidence is the program for 1921. Beyond 1921, we are getting in the circulative realm. I believe, Mr. Amiss that you wanted to know what we had in mind for Baton Rouge.

Mr. Amiss: Yes, sir, that is what I am interested in.

Mr. Chipley: Mr. Yundt, just state exactly, or as nearly exactly as you can, what the plans are for Baton Rouge.

Mr. Yundt: For Baton Rouge we intend to erect a building and install an automatic telephone system in that central office, and do a great, deal of other work about the city, both underground and aerial cable work, all of which will cost us in the neighborhood of $750,000.00 within the next five years.

Mr. Chipley: How much is to be spent in 1921, on your estimate?

Mr. Yundt: In 1921 between ninety-five and one houndred thousand dollars. That is simply for additions. We still have faith in the building, and our lease runs for a number of years. In 1922 would come the heavy expenditure of several hundred thousand dollars.

Mr. Viosca: How much do you plan to spend in New Orleans in 1921?

Mr. Yundt: About $850,000.00.

Mr. Viosca: Has this budget any connection with the proposed increases, or is it your intention to spend that money regardless of the outcome of this rate advance hearing?

Mr. Chipley: This witness is not competent to testify on that point, Mr. Hoxsey will state the position of the Company on that point clearly and in detail.

748 Mr. Viosca: Well, it seems to me that this witness ouht to know.

Mr. Chipley: But, you understand, Mr. Viosca, that there is more than one man in the employee of the Cumberland Telephone and Telegraph Company, and they do not all do the same thing. Mr. Hoxsey will, give it to you in detail, but I can tell you right now, sir, that if this rate increase is not granted we do not propose to do it. I would like to have that quite clearly understood.

Chairman Taylor: No, I don't think this witness ouht to be compelled to testify to things that are outside of his jurisdiction.

Mr. Viosca: Well, if he doesn't know it is all right.

Chairman Taylor: He has said that there is another man who is goint to take the stand and knows a great deal more about that part of it than he does, and therefore there is no use in taking up time on that point with this witness. We have been getting a long ways from the issue before us, gentlemen, and I am going to tell you right now from this time on ee are going to stick close to the record.

Mr. Ochs: When your company borrows money for what lengty of — do you borrow it?

Chairman Taylor: Mr. Ochs, this man is not a financial man at all. You have just heard that the next man to take the stand, Mr. Hoxsey, will explain all of that in detail. This witness doesn't know.

Chairman Taylor: Have you any further questions for this witness Mr. Chipley?

Mr. Chipley: No I am through with Mr. Yundt, Mr. Chairman.

Chairman Taylor: Any questions for this witness, Mr. Barrow?

Mr. Barrow: None.

Chairman Taylor: You will be excused, Mr. Yundt.

Witness excused.

749 Mr. Chipley: Before we start in with our next witness I think it would be interesting if the City Attorney of Lake Charles would state to the Commission the position of Lake Charles in this matter. The council of the City of Lake Charles has passed

an ordinance fixing the rates which we shall charge in that city, and it might be interesting to know, in the event that this Commission should find a different schedule of rates, what would to be charged by the Company.

Chairman Taylor: I don't think that the Commission would be bound one-way or the other by anything that the Council of the City of Lake Charles have done. The constitution of thes State gives this Commission absolute jurisdiction over the question of rates and telephone service, and the Commission is entirely independent of anything that the Lake Charles officials may do. Am I correct, in that, Mr. Barrow?

Mr. Barrow: That is my opinion, Mr. Chairman.

Chairman Taylor: At any rate I so told Mr. Trotti, the Mayor of Lake Charles a few weeks ago.

Mr. Brown: Do you think that the Commission could change the rates of any municipality regardless of a franchise rate in that municipality.

Mr. Barrow: The constitution of the State of Louisiana gives to the Railroad Commission of Louisiana the right to make telephone *telephone* rates, and that supersedes all other authorities that may attempt to regulate rates within the State. Therefore, if an ordinance is made fixing telephone rates at a certain figure, those rates would perhaps be until and unless somebody came to the Commission with application, or with a complaint, and have the rates changed.

Mr. Brown: I was thinking of the different franchises throughout the State.

Mr. Barrow: Well, they are all subject to this commission's power to regulate.

Mr. Brown: It is no use to make a contract or a franchise then.

Mr. Barrow: None at all on that point, no sir.

750 Mr. J. M. B. HOXSEY was called as a witness, and, having been first duly sworn, testified as follows:

Mr. Chipley: Mr. Hoxsey what is your position with the Cumberland Telephone and Telegraph Company?

Mr. Hoxsey: First Vice-President.

Mr. Chipley: What iw the nature of your duties?

Mr. Hoxsey: Largely financial. I have charge of the finances of the Company, and a number of other duties delegated to me by the President.

Mr. Chipley: Mr. Hoxsey, what is the capitalization of the Cumberland Telephone & Telegraph Company?

Mr. Hoxsey: As of date October 31, 1920, the Cumberland Telephone and Telegraph Company had outstanding $14,773,450.06 of capital stock.

Mr. Chipley: What date was that?

Mr. Hoxsey: As of October 31, 1920.

Mr. Brown: That is the Cumberland Company?

Mr. Hoxsey: Yes, the Cumberland Telephone and Telegraph Company.

Mr. Brown: What would be interesting to most of us people is: what is the investment or what was the investment when they organized the Cumberland Company.

Chairman Taylor: You can get to that later, Mr. Brown.

Mr. Hoxsey: There was also outstanding on that date $15,384,000.00 of bonds. There was also outstanding as of that date demand notes of the company for money borrowed for extension and additions in plant amounting to $8,838,480.38, that being the total capitalization of the company as of the close of October 31, 1920.

Mr. Chipley: Please read into the record the latest available balance sheet of the Company?

Mr. Hoxsey: Condensed, you mean.

Mr. Chipley: Yes, sir condensed.

Mr. Hoxsey: There was on the same date, October 31,
751 1920, Intangible Capital $40,788.00; Physical property $44,631,815.00; Investment $1,181,094.00; Cash and deposits $738,347.00; Receivables $1,908,231.00; making total assets of $48,500,275.00.

Mr. Chipley: Now, the liabilities offsetting those assets were?

Mr. Hoxsey: Capital Stock $14,773,450.00; Funded Debt $15,385,000.00; Advances from systems corporations $8,848,480.00.

Mr. Chipley: What do you mean by that item?

Mr. Hoxsey: That is money borrowed from the American telephone and Telegraph Company evidenced by our demand notes; Bills payable $35,000.00; Other payables $1,495,297.00; Reserved for depreciation $7,320,204.00; Surplus $642,843.00; the total ag-regate, of course, being the same as the assets, $48,500,275.00.

Mr. Chipley: What rate of interest do the bonds pay, please?

Mr. Hoxsey: They are 5% bonds.

Mr. Chipley: What rate of interest do you pay on the borrowed money?

Mr. Hoxsey: The borrowed money is borrowed at 6% interest payable in cash, monthly, subject to a discount of 2% for monthly payment, making a net cost of the money of 5.8% per annum.

Mr. Chipley: What dividends has the Company paid, Mr. Hoaxsey?

Mr. Hoaxsey: The Cumberland Telephone and Telegraph Company is paying now 6% dividends. In former or earlier years it paid as high as 8% dividends. In 1913, I think it was, the dividend was reduced to 7%, and in 1914 and since that time it has been 6%.

Mr. Chipley: Now what is the territory in which the Cumberland Telephone and Telegraph Company operates?

Mr. Hoaxsey: The Comber Company operates in Kentucky, Tennessee, Louisiana Mississippi and the extreme southern part of Illinois.

Mr. Chipley: Is the Company capitalized with reference to the various states in which it operates?

Mr. Hoaxsey: It is not.

Mr. Chipley: Then the investment which may appear upon its books relate to the property actually employed by the company in these various states without reference to the capitalization?

752 Mr. Hoaxsey: The investment appearing upon its books represent the actual cost of the property now standing with the exception that in 1910 there was a re-valuation of the properties in Louisiana which resulted in reducing the amount upon the books at below the cost of figures by $55,691.00.

Mr. Chipley: In 1910 the property was inve-toried and appraised and checked up to see how it compared with the book's figures,—is that it?

Mr. Hoaxsey: Yes, sir, and at that time that correction was made in the books, so that the present book figures represent that much less than the cost of the property.

Mr. Chipley: Now, before we go into the State of Louisiana, I as segregated from the company as a whole, I will be glad if you will gove the Commission some Idea as to how the company's operation results have been during the past four years, by the use of these charts.

Mr. Hoxsey: This chart (indicating) shows the revenue produced by each one hundred dollars invested in plant and working capital, the expense necessary to produce that revenue, and the balance remaining for interest, dividend and surplus.

Chairman Taylor: Is that for the Company as a whole or for Louisiana?

Mr. Hoxsey: Yes, for the company as a whole in 1916. Each one hundred dollars envested produced eighteen dollars and sixty-six cents of exchange revenue and $7.67 to toll revenue, the gross of the total being $26.33. That money went as follows for expenses: Depreciation $4.64; Current Maintenance $3.90,—current maintenance being the cost of the up-keep of the property; traffic,—by which is meant the operating room expenses and the supervisory expenses in connection therewith, $4.57; commercial,—by which is meant the business of the company, its bill collecting, advertising, issuing od directories, and all such expenses as that, $2.82; general expense seventy one cents; miscellaneo-s expense $1.91; taxes $1.71.

753 Now, below this line here there is no interest or other capital charges whatever. These are the actual expenses. Now, that makes a balance of $6.07 upon each one hundred dollars invested out of which interest must be paid and dividends, and any addition to surplus if more than the dividend was earned. In the next year each one hundred dollars invested produced $18.63 of exchange revenue and $8.48 of toll revenue, a total of $27.08. The exchange revenue remained stationery or substantially the same. There was no increase in toll rates but there was a larger volume of toll business so that there was more toll revenue.

Mr. Barrow: Mr. Hoxsey, right there, does $27.08 represent your total revenue per one hundred dollars invested in Louisiana or in the system?

Mr. Hoxsey: This is for the system as a whole.

Commissioner Long: All of your figures are for the system as a whole?

Mr. Hoxsey: Yes, all that I have given so far are.

Commissioner Long: Covering the four states?

Mr. Hoxsey: Yes, and a part of the fifth. It will be seem that depereciation remained stationery, or substantially the same; current maintenance went up slightly; traffic went up materially; and commercial expense went up very slightly; general expense went down very slightly, and miscellaneous went up slightly; and taxes also went up, and the net result was that although we had a larger gross revenue there was one cent per one hundred dollars less for interest and dividends. In the next year exchange revenue declined slightly due perhaps to a change in the proportion of residents to tatal telephones. There were no changes in the rates whatever. The toll revenue went up slightly, the combined total being $27.12, which was slightly higher than in 1917. We see now that all expenses with the exception of general are going up. Traffic has gone up quite materially, and we have left out of that revenue only $4.35 for interest and dividends. During the next year there was an increase in toll rates, and on May 1st an increase in exchange rates. We find the exchange revenue went up to $20.11 and the toll revenue to $10.83, making a total gross revenue of $30.94 for each one hundred dollars invested. Maintenance is now going up rapidly; traffic is very much larger than it was back in 1916;
754 commercial expense is somewhat higher; general expense is substantially the same; miscellaneous and taxes are higher, and in spite of the gross revenue which is now $4.61 per one hundred dollars invested higher than in 1916 the balance left for interest and dividends was only $3.73 or $234 less than in 1916. The next column is an estimate for 1920 which is being verified very closely by actual results. I may say that in November of each year it is one of my duties to make a forecast of the revenue and expenses of the company for the ensuing year in order that we may know as nearly as possible whether out proposed investment will be productive. I have been making those forecasts for the Cumberland Company since 1912, and it so happenes that the greatest margin or error that has resuted in any of those forecases during that period amount to forty four one hundredths of one per cent on the investment. In 1920 the increased toll rates were in for the entire year instead of for eleven months of the year and the increased exchange rates were in for the entire year instead of for seven months of the year, so that the total revenue of the company was estimated at $32.33 the balance remaining for interest and dividends amounting to $3.85. When I made up this estimate I foresaw, or I thought I did, very clearly that there would be a pronounced business recession in the last four months of 1920. As we all know, that has come about, and it has made a very material reduction in the total revenue, reducing it from what we might otherwise normally have expected, with the result that it is not far wrong,—this, estimate For the first ten months of the year instead of $3.55 out of each one hundred the actual result has been $3.41 out of each one hundred dollars invested.

Chairman Taylor: That is the balance?

Mr. Hoxsey: Yes, sir, that is the galance remaining if November and December are at the same rate as October and the average for whole year will be $3.38 out of each one hundred dollars invested.

This as a whole merely shows the declining tendency of the net earnings for the company as a whole, which in general has been followed by Louisiana. This next chart shows in actual gross
755 amounts certain revenues and expenses. In 1916, using the nearest one thousand dollars, the gross revenue of the company from 11 sources was $8,84,,000.00 of which exchange revenue was $6,201,000.00, and toll revenue $2,547,000.00; and sundry net revenue was $93,000.00. The company has certain investments, made as a rule by selling portions of its property *ot* other companies and to consolidate in those situations where competition exhisted, and this is the revenue from those investments,—$93,000.00. That money was spent as follows: Salaries and wages $2,591,000.00. I may say that these documents or charts here all drawn to scale, so that they show the proportionate amounts,—other telephone expenses $4,138,000.00 Interest $1,121,000.00; leaving a balance for dividends and surplus of nearly $991,000.00 which meant, after paying 6% dividend, that we added $326,000.00 to surplus. In 1919, the revenue had increased nearly fifty per cent, showing $12,566,-000.00; of that total revenue exchange revenue produced $8,081,-000.00; toll revenue $4,351,000.00; and sundry net revenue $135,-000.00 Salaries and wages have nearly doubles by then, being $4,-984,000.000; other telephone expenses have increased about forty per cent, being $5,950,000.00; interest has increased, being $1,163,-000.00, leaving a balance for dividends and surplus of $470,000.00; Now, that was short of earning the dividend. Not only did the earning in 1919 fail to produce any surplu*b* but they were $416,687.00 short of producing the 6% dividend. Fortunately, during that year the government was in control of the property and had guaranteed us our dividend for the year, and these losses being mainly in the latter part of the year we actually got from the Government enough to make out dividend. This sows the result of operation and not the result of leasing the property.

This Chart here shows, strictly to scale, the per cent of salaries and wages charged to expense. There are two closses of salaries and wages; one of them goes to building new plants and is con-
756 sequently charged to our investment account. Those salaries and wages may go very largely either up or down, dependent upon the volume of construction. The great bulk of salaries and wages, however, goes to operating the property. This chart shows only those salaries and wages which went to the operation of the property. The first line, No. 1, shows the plant or maintenance expenses, which in 1916 for salaries and wages was, in round figures $677,000.00. In 1919 it was $1,382,000.00 or an increase of 104 per cent. As you see, that blue line which represents 1919 is a little over double the length of the pink line which represents 1916. The second is our commercial salaries and wages, which grew from $582,000.00 in 1916 to $837,000.00 in 1919 an increase of forty-two per cent. Traffic,—that is operating room and supervisoty expenses, is as you see, the great bulk of the salaries expended by the company, and that grew for $1,212,000.00 to $2,-653,000.00, or an increase of approximately one hundred and nine-

teen per cent, or more than double. Executive, by which we mean the salary of the President, the vice-President, and their office forces, went down from $52,136.00 to $45,471.00. Accounting, by which we mean our general office accounting headquarters at Atlanta, and not including any of the field, which is charged to commercial expense, went up from $34,638.00 to $43,916.00, or an increase of nearly thirty seven per cent. Financial,—the treasurer's office,—went down a few hundred dollars, from $13,840.00 to $13,221.00. Legal expenses went down from $19,630.00, to $19,617.00,—almost exactly the same. The most interesting *geature* of this chart,—and you will remember that it is drawn strictly to scale, is the comparison *fo* the extremely small headquarters expenses of the past four years as contrasted with the tremendious advance in expenses along other lines.

Mr. Chipley: Now, Mr. Hoxsey, please explain to the Commission exactly who owns the stock of the Cumberland Telephone and Telegraph Company; its intercorporate relations with the Southern Bell Telephone and Tehegraph Company, the ofricers of the
757 two systems being the same throughout. All of the stock of the Soughern Bell Telephone and Telegraph Company is owned by the American Telephone and Telegraph Company.

Chairman Taylor: I want that again. Did you say that ninety-nine per cent of the Cumberland is owned by the Southern?

Mr. Hoxsey: Yes, sir.

Chairman Taylor: I want that again. Did you say that ninety-nine per cent of the Cumberland is owned by the Southern?

Mr. Hoxsey: Yes, sir.

Chairman Taylor: And how much of the stock of the southern Bell is owned by the Americal Telephone and Telegraph?

Mr. Hoxsey: All of the Southern Bell Telephone and Telegraph Company's stock is owned by the American Telephone and Telegraph Company.

Commissioner Long: All of the stock of the Cumberland is owned by the American Telephone and Telegraph Company?

Mr. Hoxsey: No, sir. Ninety-nine per cent of the Cumberland stock or a little more than ninety-nine per cent of the Cumberland stock is owned by the American Telephone and Telegraph Company.

Commissioner Long: So, it is almost as *it* we had the American Telephone and Telegraph Company before us now?

Mr. Hoxsey: Well, I would not look upon it that way, sir, because there is an entirely different operating organization, but so far as the ultimate ownership is concerned, through the Soughern Bell, the American Telephone and Telegraph Company entirely controls the Cumberland, if that is the point you have in mind.

Commissioner Long: Yes, that is exactly what I had in mind.

Mr. Hoxsey: Now, the American Telephone and Telegraph Company owns ninety-seven per cent, according to the most recent figures which I have seen upon the subject, of the stock of the Western Electric Company and the Cumberland Telephone and Telegraph Company has a contract with both the Western Electric Company

and with the American Telephone and Telegraph Company.
758 It has a contract with the Western Electric Company all of its material which *is* desires so to do. This contract does not oblige it to buy one dollar's worth of material from the Western Electric Company unless it elects to do so, but as a matter of fact perhaps ninety-five per cent *if* the material purchased is actually purchased from the Western Electric Company. That contract also makes the Western Electric Company a purchasing or supplying — for the Cumberland Company. That is to say the Western Electric Company buys for the Cumberland Company the great bulk of the supplies the Cumberland Company uses and which the Western Electric Company does not itself manufacture.

Mr. Viosca: Pardon my interruption, but on yesterday the Chairman said that if we had any objection- we should make them at the time the point was raised. Mr. Chairman, this witness is now testifying as to the contents of some contract, and I submit that the contract itself is the best evidence of what it contains, and it seems to me that we should have the contract in full before us if this witness is going to testify regarding it. I now *make for* forman objection that this witness cannot testify to what the contract contains, the contract itself being the best evidence.

Chairman Taylor: Can you furnish he contract Mr. Hoxsey?

Mr. Chipley: We have sent for a copy of it. Mr. Hoxsey thought that I had it and I thought thst he had it. I have sent for it and when we get it you will find that it provides that both the Western Electric and the American Telephone and Telegraph——

Chairman Taylor: Well, he can testify to what the contract is and then find it later.

Mr. Viosca: Well, we reserve a bill of exceptions to the ruling of the Commission.

Chairman Taylor: Very well, that is al- right.

759 Mr. Viosca: I would like to have it understood that this same objection applies to all testimony through the hearing of the same character Mr. Chairman.

Chairman Taylor: Well, the record will show that.

Mr. Barrow: Do I understand that the company is going to file these contracts?

Chairman Taylor: Yes, sir understand they will be filed.

Mr. Chipley: They will be filed just as soon as they get here Mr. Chairman.

Chairman Taylor: Go ahead.

Mr. Hoxsey: The Western Electric Company obligages itself in this cintract of which I have spoken to sell to the Cumberland Company all apparatus or any apparatus which it manufactures and which the Cumberland Company may need, at a price not higher than it is sold to any other customer in any quan-ity in the United States. It provides that for cable manufactured *gy* the Western Electric Company a certain percentage above the factory cost is to be added. For articles purchased by the Western Electric Company certain percentages are to be added to the cost to the Western Electric Company, the Cumberland Company getting the benefit of all

cash discounts, etc., enjoyed by the Western Electric Company. Those percentages vary with the amount of work, etc., involved and with the value of the material, all of that being exactly specified in the contract. As an illustration, copper wire, is shipped direct from the supplier, the Western Electric Company not manufacturing the copper wire, to the point of destination where it is to be used by the Cumberland Company, one per cent is added for the Western Electric Company in handling it.

Chairman Taylor: They buy it and resell it to you?

Mr. Hoxsey: Yes, sir, at one per cent higher than they pay for it. If, however, it is shipped in small quantities to a Western
760 Electric Company warehouse located in our territory, and under this contract they are required to establish certain warehouses in our territory, than five per cent is added to the cost, which includes the cost of handling at the warehouse, there being no other commissions than these costs.

Chairman: That five per cent includes freight?

Mr. Hoxsey: No, sir, the frieght is paid in either case by the Cumberland Company. Of course, some articles are habitually sold F. O. B., destination, but the freight must necessarily be added to the cost of the article. The additional four per cent covers the trucking from the station to the warehouse, the handling and storing in the warehouse, the reissuing in small quantities *and* etc., with a higher percentage paid on certain articles do not run into much money compared with the total, but a very difficult one to handle, and that is stationery. There is paid on that eight per cent, if shipped direct, and fifteen per cent if handled through the Western Electric Company warehouse. Directories are also shipped direct and one per cent is added to the cost of directories.

Chairman Taylor: Do you get your directories from the Western Electric Company?

Mr. Hoxey: Yes, we make our contract for directories with the Western Electric Company, and the reason fo*t* that is this: The Western Electric Company has branches all over the world,—all over the civilized world. It is perhaps the largest single buyer of merchandise in the United States. It has a large buying and immensely contralized purchasing power; they have very intimate knowledge of all of the sources of supply. Just comparatively recently we asked the Western Electric Company to take our directories under contract. In other words, it was optional with us whether we did or did not secure our directories through the Western Electric Company, but because of standardizing of paper and buying paper in great quantities the Western Electric Company was able to furnish us directories cheaper tha*t* we could buy them ourselves.
761 Now as regards this contract, the history of it is of interest and pertenant, I think, to this inquiry.

Commissioner Long: If you will pardon me, there is a leak of five per cent for services of the American Telephone and Telegraph Company, which indirectly owns you, and,——

Chairman Taylor: There is nothing in this record to show that there is any leak anywhere, Mr. Long.

Mr. Hoxsey: I have not touched on that contract, at all. I will reach that later. I am speaking now of our contract with the Western Electric Company.

Chairman Taylor: Yes, proceed Mr. Hoxsey.

Mr.Hoxsey: In 1904 the Western Electric Company offered to the Southern Bell Telephone and Telegraph Company, of which I was at that time an officer, a contract of this general nature. With the then president of the company I visited Cincinnati, Indianapolis, Chicago, St. Louis, Pittsburgh, some of which had a contract and some of which dod not, to study the proposition and th see whether the contract was desireable. As a result of that visit, I recommended against the execution of the contract then offered. I thought the Southern Bell should have a more favorable contract. The following summer a representative of the Western Electric Company was sent to Atlanta to negotiate with me in the matter. We spend nearly three months on the subject of that contract, and finally got it in shape where I felt it would constitute a saying for the Southern Bell Company. I accordingly recommended its esecution and it was so executed. For the first year after the contract we continued to get competitive prices. Other suppliers were not aware of the fact that we had made this contract and we continued to get competitive prices from various concerns and we showed a saving of over three per cent on the goods bought during that year from the Western Electric Company as compared with these competitive prices which we
762 got from other suppliers of the same character of material. I made those tabulations personally. This contract with the Western Electric Company provided that if at any time thay could offer a more favorable contract to any other company that they would then give us an opportunity to substitute a like contract. They did offer a more favorable contract to another company and immediately offered us an opportunity to write a like contract with them. Upon a stufy and analysis it showed that this second contract saved us an additional four to five per cent, dependent upon the amount of cable to the total purchasers, the reduction in cable neing greater than in anything else. Twice during the history of that contract I have made an exhaustive study of the prices of other suppliers, and in each case our net saving has been between seven and eight per cent upon our total purchases. In 1912 when the Cumberland Company elected the officers of the Southern Bell Company as its officers, due to the experience the Southern Bell had had with this particular contract, the Western Electric Company contract, we at once asked the Western Electric Company to execute a like contract with the Cumberland Company. It is an instance of the fact that there was no compelsion about this contract in that the Cumberland Company did not execute the contract for nearly seven years after the Southern Bell Company had first executed it.

Mr. Chipley: During all of that time, however, the American Telephone and Telegraph Company controlled its stock.

Mr. Hoxsey: Yes, during all of that time the American Telephone and Telegraph Company controlled the Cumberland Company's stock.

Chairman Taylor: As well as the Southern Bell Company's stock?

Mr. Hoxsey: Yes, sir, but they brought no compulsion upon the Southern Bell or no pressure of any sort. Their attitude was this: "Look into it and if you think it is good, execute it. If you don't think it is good, don't execute it." Now, we have another source of comparison. From time to time different Bell Companies have bought indecendent telephone properties and in doing so, under the ruling of the Interstate Commerce Commission, acquired all of their records pertaining to their plant, etc. The Southern Bell bought a little more than a year ago tha plant of the Atlantic Telephone and Telegraph Company. We had a comparison made of the bills of the Atlantic Telephone and Telegraph Company paid to the Western Electric Company and we compared then withe bills for like material that had been rendered to us, and we found that on apparatus tha saving was fifteen per cent in favor of the Western Electric contract.

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Chairman Taylor: Did you say that this independent concern bought its stuff from the Western Electric also?

Mr. Hoxey: No,—if I did I did not intend to say so. They bought in the open competitive market. On lead covered cable the saging was seventeen per cent. It should be stated, however, that those two items, so far as the Western Electric Company is concerned, only represent about eighteen per cent of all the goods that they sell us. The remaining eighty-two per cent they purchase for us. Of course, t-e saving on the foods which they purchase for us is not so much as the saving on goods which they manufacture themselves.

Mr. Chipley: You mean their own manufacture?

Mr. Hoxsey: Yes, sir, their own manufactured goods. The saving on purchased goods average around five per cent; so that the total saving, taking in account the proportion of manufactured articles, or articles manufactured by them and the purchased goods, the saving is between seven and eitht per cent. A still more recent instance is this: The Southern Bell Telephone and Telegraph Company owns a controlling interest in the South Atlantic Company operating at Miami, Florida. That company was not at that time enjoying a contract of this sort with the Western Electric Company, but we had the right to request the Western Electric Company, to execute a similar contract with the South Atlanta Telephone Company or any company of which we own a controlling interest. The officers of that company asked me to have such a contract executed for them with the Western Electric Company in March of this year. At that time I declined because the Southern Bell would have to guarantee the payment of the bills of the South Atlantic Telephone Company under the terms of the contract, and because of the fact of the accounting of that company was behind I was no- sure how much risk would be involved in our undertaking to guarantee such bills. In September of this year, however, their accounting being up to date they brought to my attention the following situation: That on shippments of goods of $93,000.00 expected between November first and December 31st, 1920, they could save

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$15,000.00 by executing an Western Electric Company contract. I accordingly had such a contract executed with the Western Electric Company in order to make that large saving for this company in which we were interested. I have gone to New York personally and checked back the cost on their cable. We maintain at all times in Western Electric Company warehouses one or more clerks for the purpose of checking their supplies and seeing that the percentages are correctly computed and that we get the benefit of all cash discounts, etc. I say, with- hesitation, that in no year since the second contract was executed have we save- less than, in my opioion, seven per cent upon our purchases through this contract. In some years, where cable purchases have been very large the saving has been greater than that.

Mr. Chipley: Now, the Western Electric Company sells to other telephone companies in competition with other telephone manufacturers, does it not?

Mr. Hoxsey: Yes, it has a very large trade among the independent telephone companies and sells in competition with other manufacturers.

Mr. Chipley: Mr. Yundt testified yesterday that this company was purchasing switchboards and other apparatus and material from the Stronberg-Carlson Company and from the Kellog Company and other manufacturers. Under this contract that we have with the Western Electric Company we have the right to purchase wherever we please, have we not?

765 Mr. Hoxsey: Absolutely we have. Whenever we can get better deliveries or for any other reason it is good business to do so we do not hesitate to avail ourselves of that privilege.

Mr. Chipley: Then this contract is an actural dollars and cents profitable contract to the Cumberland Telephone ane Telegraph Company?

Mr. Hoxsey: There is no question — the world about that at all.

Mr. Chipley: Now, take up the question of the contract between the Cumberland Telephone and Telegraph Company and the American Telephone and Telegraph Company.

Mr. Viosca: I make the same objection to any testimony concerning that contract as I have previously made. I understand the ruling will be the same.

Chairman Taylor: Yes, sir, you- objection will be overruled. I understand that that contract will be filed.

Mr. Viosca: Well, I will just reserve a bill of exceptions to the ruling of the Commission.

Mr. Hoxsey: The Cumberland Telephone and Telegraph Company has a contract with the American Telephone and Telegraph Company by which the Cumberland Company pay to the American Telephone and Telegraph Company 4.5 per cent of its gross revenue, in return for certain property and services furnished by the American Telephone and Telegraph Company. It should be understood that that 4.5 per cent is not 4.5 per cent upon its investment. It is 4.5 per cent upon its revenue, which figures,——

Mr. Chipley: You mean gross operating revenue?

Mr. Hoxsey: Yes, sir, gross operating revenue.

Chairman Taylor: Would you mind stating right there how much that is?

Mr. Chipley: We are going to bring that out in complete detail just a little later on, if you don't mind waiting a few minutes. Well, Mr. Hoxsey, you might as well give the amount now if you have it where you can reach it handy.

766 Mr. Hoxsey: For Louisiana for the year ending July 31, 1920, it amounted to $184,755.00.

Chairman Taylor: That represented 4.5 per cent of your gross revenue?

Mr. Hoxsey: Yes, sir.

Mr. Chipley: Operating revenue?

Mr. Hoxsey: Yes, sir, operating revenue.

Mr. Barrow: That is for what year?

Mr. Hoxsey: For the year ending July 31, 1920. For that we got service as follows; and I have listed them because there are quite a number of them: Engineering, service, including buildings, engineering and plants. Equipment engineering, including standardization of central office and station equipment. Plant engineering, including standardization and protection against strong current; and traffic engineering; standardization of operating methods; commercial engineering, fundamental engineering, by which we mean development and research, and to which subject I will return a little later in greater detail. It covers the use patents developed or acquired by the American Telephone and Telegraph Company. It covers advice in regard to questions of policy; financial aid and assistance; and legal aid and assistance, accounting advice, including an annual audit of all of the books and accounts of the company. It acts as a clearing house in which we get the benefit and experience of other companies. We have with our employees a protection and benefit fund for which we set aside a certain amount, and the American Telephone and Telegraph Company has set aside a very much larger amount; and finally we get the use of the instruments which is the transmitters, receiver and induction coil.

Chairman Taylor: They are owned by the American Telephone and Telegraph Company?

Mr. Hoxsey: Yes, sir.

Chairman Taylor: They have no patent right on the instrument itself, have they?

767 Mr. Hoxsey: The instruments themselves and whatever patents there may be—fundamental patents,—on those I think have expired, but there are certain minor patents I believe still alive on them. As a matter of fact I am informed that there are in use over three thousand patents controllee by the American Telephone and Telegraph Company, which we have the right to use under this contract. Now, among the more important elements of service rendered in this — of fundamental engineering. The American Telephone and Telegraph Company maintains a very large bureau of development and research; and it is not too much to say that the greater part of the advance in the telephone art through the world

has been due to that bureau. I was not here but I presume Mr. Yundt covered those savings in money on yesterday, but I wish to call attention to the bearing that they have had upon the rates which have been paid by the public. The average rate per telephone now in force is less than the average rate in force during the year 1896. The average rate under the proposed schedule, if thy are all granted, will be less than the average rate in effect in 1895. Now, 1896 was the bottom. The low level of cost since the civil war was hit at that time. Now, the advance in costs and prices in the past few years has been so rapid and so startling that we have perhaps lost sight of the fact that from 1896 to 1914 there was almost a continous rise in costs, and for the earlier year, fairly evenly distributed throughout the time. The rise in latter years has been so rapit that, as I say, we have almost lost sight of the gradual increases which came upon us in that period of years. However, in spite of those increasing cost- during all of those years *years* the economies introduced by this bureau of development and research of the American Telephone and Telegraph Company into the telephone business has been such that we could not only meet the additional cost but actually were enabled to put lower rates into affect; and it was not until costs began to rise so rapidly, about the close of the year 1916, that the question of larger rates became active again. These advances were
delayed from time to time and were not put into effect first un-
768 til 1919. Up to that time we had absorbed all of the additional
cost through the use of these improvements.

Commissioner Long: Can you tell me, Mr. Hoxsey, what is the stock of the American Telephone and Telegraph Company quoted at on the market?

Mr. Hoxsey: That last quotation I saw was three *of* four days ago and it was then quoted at ninety eight and three eight-s. It varies from day to day.

Commissioner Long: It is pretty close to par?

Mr. Hoxsey: It reached par two or three days ago for the first time in a great many months. I has been fluctuating between 92 and par and reached par some two or three weeks ago and since that time it has dropped slightly.

Commissioner Long: It is rather unusual for most any stock to be at par during these times of stress, is it not?

Mr. Hoxsey: I do not think so, because there is a distinction between that stock and other stock which is not ordinarily understood. TheAmerican Telephone and Telegraph Company has nothing outstanding but common stock and its bonds. Now, there has been so many cases where common stock was issued as a bonus with bonds that the public have become accustomed to seeing common stock at far below par. As a matter of fact there has been paid into the treasury of the American Telephone and Telegraph Company, counting all property for which stock was issued as valueless, counting all patents for which stock was issued in the early days as valueless, including all exchanges for stocks of other companies and considering it as valueless, and taking merely nothing but the actual cash paid into the treasury, $108.26 cash paid into the treasury of

the American Telephone and Telegraph Company for every one hundred hundred dollars of stock outstanding. You will see, therefore, that it is an extra dry stock.

Commissioner Long: That is less the water?

Mr. Hoxsey: No, sir. You are quite wrong. The American Telephone and Telegraph Company's stock has no water, but it has an extra dryness.

Commissioner Long: Now, I saw in the Wall Street Journal
769 that on January 1, 1915, the American Telephone and Telegraph Company had a working capital of $1,194,755.00.

Mr. Hoxsey: What year was that?

Commissioner Long: The first day of January 1915.

Mr. Hoxsey: Yes, sir.

Commissioner Long: And I see that on the first day of January 1920, the American Telephone and Telegraph Company had a working capital of $61,650,210.00.

Mr. Hoxsey: Yes.

Commissioner Long: Is that correct?

Mr. Hoxsey: I have not the report for 1915 before me. I can verify this as to 1920.

Commissioner Long: Before we finish with this hearing will you look up the figures for 1915?

Mr. Hoxsey: I have not the 1915 report with me at all. I have it for 1920, but if you say that you saw those figures in the Wall Street Journal I have no reason to dispute their accuracy.

Commissioner Long: Probably that is true, but yet I would like to have it in the record from some authentic source. Now, before this hearing is closed will you not see if you can obtain that in-ormation and put it in the record?

Mr. Hoxsey: Yes sir, I will attempt to do so. Now, would you like a work of explanation as to -ose incre-ses?

Commissioner Long: I just want to know if it is correct.

Mr. Hoxsey: It is probably correct, yes.

Mr. Chipley: You were discussing the nature of the services rendered this company by the American Telephone and Telegraph Company, Mr. Hoxsey?

Mr. Hoxsey: Yes, Now, then we have had very great benefits and assistance in the way of advice as to matters of policy. I don't know that it would be fair to,—well the contracts provide for such services, those services are such as one would naturally render,—
they are naturally such that a large owner of the stock would
770 naturally render anyway, but, regardless of that, they have been of the utmose importance to the company in this way; they have been able, with extreme accuracy, to forecast periods of depression and boom, with the result that we have been enabled to build a large part of our plant at periods of low cost, ant to anticipate a coming boom and gig development. In that way, or for that reason, our plant has cost us, on the whole, several million dollars less than it would -ave cost had we not been able to take advantage of the conditions which arose and which we were informed would arise, by the American Telephone and Telegraph

Company. That, of courses, is an estimate, and a round figure. Now, the more important elements of this service consists of advice and assistance in financial matters. It is not only advice and assistance but it is a very active thing. For instance, while the contract does not provide, or does not require the American Telephone and Telegraph Company to do more than furnish us with advice and assistance, nevertheless, as a matter of fact, during all of these periods of stress the Cumberland Tehephone and Telegraph Company has been financed entirely by money loaned by the American Telephone and Telegraph Company. It is doubtful if the Cumberland Company could have gotten that money on its own credit at any reasonable rate of interest,—if it could have gotten it at all,—and certainly my opinion as a financial man *did* that the company could not have gotten at any time during that last *tow* years money at less than eight per cent interest. You will understand that we do not make extensions and additions out of earnings. We cannot earn enough to pay a reasonable interest on borrowed money, and dividends upon the capital stock, and have anything, or any material -mount left, for investment purposes; and so, necessarily, all additions and estensions come from new capital.

Mr. Chipley: What do you mean by new capital?

Mr. Hoxsey: By new borrowed money or new issues of capital stock,—the sale of capital stock. Take the present interest,
771 or rather take the present indebtedness of the Cumberland Telephone and Telegraph Company, and the two per cent interest we are saving, in the actual rate which we are paying the American Telephone and Telegraph Company at this time under the best rate at which it is possible to go out and borrow money today, is saving us more annually than the entire amount of this payment chargeable to Louisiana. It is saving us approximately $190,000.00 a year,—this two per cent on the borrowed money.

Chairman Taylor: Evidently the American Telephone and Telegraph Company is in a class with the Standard Oil Company. Well, it is a big concern and it is in touch with market conditions, and I suppose it has a fine credit, and its organization is such that it can proably tell better than must of us ordinary people when business is going to boom and when it is going to fall down, that is where you get your benefit from your association with them, I suppose,—that and the money that they actually loan your?

Mr. Hoxsey: Exactly so. From time to time we market our notes with the public,—the Cumberland Telephone and Telegraph Company does,—and if it is not,—if it is not a propitious time for stock issue we will put out three or four or five or six million dollars of notes, which are sold to the general public. The Cumberland Telephone and Telegraph Company puts out those notes. Now, we cannot sell those to the general public under conditions that have obtained for the past few years on our own credit, but the American Telephone and Telegraph Company endorses them for us and with the endorsement of the American Tel-phone and Telegraph Company they have met with a ready acceptance on the part of the general investing public.

Mr. Chipley: They have behind them the accumulated credit of the two companies?

Mr. Hoxsey: Exactly, yes, sir. Now, the instrument savings, I presume, have been fully explained by Mr. Yundt and they are very large in the aggregate.

772 Mr. Chipley: Mr. Yundt's testimony was rather to the dollars and cents of the engineering, and traffic savings, and also as to instruments, but he did not go into a full discussion of the character of services rendered there,—the research work and the facilities which the American Telephone and Telegraph Company has for that purpose.

Mr. Hoxsey: Well, among other services rendered by the engineering department of the American Telephone and Telegraph Company,—and they are not only general services rendered in New York,—but at our request and without any expense for either salary or traveling expenses of the men they send, engineers are sent into our territory who will make commercial studies of our exchanges. In large exchanges, certain parts of them have to be planned for as much as twenty-five years in advance, for instance,—it sounds a little strong, but for instance we know that New Orleans has got to have more central office a number — years from now than it has to-day. If, in anticipation of that growth, we lay a large amount of underground cable and that cable is laid in a haphazard way and then a little later on our central is built somewhere, if that cable is not laid in proper relation to the location of the new central office to be established there is a wasted investment there. Therefore, each city is studied and a spot map of that city is made. Every house is rated with respect to its prospective telephone possibilities. The growth of the city is forecast, notably as a whole but in small districts as to where this growth is going to be greatest, and then, having before us all of that data and information we are enabled to plan our underground circuit system to the greatest advantage. We cannot dig up a street every year. We have to put these underground conduits down for fifteen or twenty years and we have to put them down with relation to the ultimate location of our additional central office facilities. The American Telephone and Telegraph Company sends us very experienced and expert men who render us most valuable assistance in that respect. In

773 the engineering of the large plans, when desired, they send men down to us for that purpose. In planning buildings, and particularly in planning buildings now to be equipped with machines switching equipment, a new thing that is coming into use, they send men down to do that, all of which enables us to keep our own engineering department for consideration of the smaller problems, and it releases us from the necessity of having so many high priced men that we would have to have if these services were not available to us from the American Telephone and Telegraph Company. The whole things sums up in this: They render us certain services which no operating company could successfully render to itself. The cost of such experimental work as they carry on, and the benefit

of which we secure, would be much greater than could be borne by the revenues of any single individual operating company; but by pooling resources all over the country and using the American Telephone and Telegraph Company as a general clearing house for the rendering of such services we can and do effect a very great saving. We can do the work at much less cost than such parts as we would be able to do at all would cost us if we had to do it through our own forces; and finally, as I have already said in regard to the rate, the value of the services rendered *ro* the Cumberland Company and to every other company operating under contract with *with* the American Telephone and Telegraph Company throughout the country is reflected in lower rates at this time and for many years past than would have otherwise been possible for the telephone using public.

Mr. Chipley: What effect does it have upon the standardization of the equipment and apparatus and operating methods, and what relation does it bear to efficient service?

Mr. Hoxsey: Due to the work and efforts of this general central bureau there has been a very great standardization of apparatus. One of the reasons why the Western Electric Company has been able to undersell its competitors so much is the fact that this apparatus has all been standardized and is built to specifications
774 which are subject to but very little if any changes. With respect to the ownership of instruments we figure that in Louisiana alone for the year which we are discussing, the year ended July 31, 1920, that the savings on instruments, as compared with owning those instruments ourselves and having capital charges, depreciation and maintenance to pay upon them, amounts to $93,296.00.

Mr. Chipley: That would be the expense?

Mr. Hoxsey: Yes, that would be the expense which would be incurred by having that investment. Of course, no figures for that investment are included in our statement of investment.

Mr. Chipley: Mr. Yundt testified that if we owned the instruments the investment would be $466,488.00 greater.

Mr. Hoxsey: I think that is correct.

Mr. Chipley: And your statement is that the savings amount to $39,296.00 per year?

Mr. Hoxsey: Yes, sir.

Mr. Chipley: And that leaves——

Mr. Hoxsey: About $91,000.00 for other services, and it amounts per instrument per month — 11.5 cents or a little over one-third of a cent a day.

Mr. Chipley: Then, just considering the savings under the leasing rather than the owning of the instruments, and none of the other services, the cost then to Louisiana, under this contract, is 11.5 cents per month to the subscriber?

Mr. Hoxsey: That is correct, but it would not be proper, of course, or not a complete statement to eliminate the other services which are in themselves much more valuable.

Mr. Chipley: Now, Mr. Yundt testified as to the total services

our savings as to investment, was $1,324,800.00, and that there was an annual saving of $353,000.00. That is the total saving, including interest?

Mr. Hoxsey: Yes, sir.

Mr. Chipley: Do you say as an officer of the company, in
775 view of those savings, that it is a profitable contract in dollars and cents to the Cumberland Telephone and Telegraph Company?

Mr. Hoxsey: It is a very profitable contract to the Cumberland Telephone and Telegraph Company, and saves to that company a great amount of money.

Mr. Barrow: Explain that a little further, if you please. Do you mean by that that if the company invested the money in the equipment which it now leases that it would be more expensive to operate the property than to lease the equipment?

Mr. Hoxsey: No, I mean if it invested that money for that equipment outright that that investment, including the capital charges, would cost it $93,000.00 a year. That is not so much as the total payment in Louisiana, of $91,000.00 a year, but the other savings,—the saging through inventions and discoveries and through engineering services rendered more cheaply then we can render them to ourselves,—all of those things combined amount to very much more than that $9,000.00.

Mr. Barrow: That is what I did not understand.

Mr. Hoxsey: So that there is a total saving,—in other words if rendered those of the services which it would be possible for us to render to ourselves, there is still a saving of at least two to one, and there are certain services which we could not render to ourselves because no single operating company could afford to employ the, staff to do it.

Commissioner Long: Mr. Hoxsey you are a financial man, and possibly you are aware that in the Ohio case that the Supreme Court of the United States held that where a parent corporation held ninety-nine per cent of the stock of one company and that some other company has ninety nine per cent of the stock — that company, and so on down the line, that regardless of what company was before the court they looked upon the matter as if the parent company was before it.

Mr. Hoxsey: I do not happen to have read that decision, Mr. Long.

Mr. Chipley: I will file with this Commission before we get through the opinion of the Supreme Court of Michigan,
776 which is the only supreme court in this country that has passed on this identical contract and has sustained it absolutely and without qualifications. I shall also file with the Commission copies of other decisions of the trial courts which have approved this contract. The point raised by Commissioner Long was *desected* in those decisions and it has been held that the mere fact that a community interest exists does not prevent seperate corporations, as such, from entering into contracts, but only required that such contracts be more carefully and closely scrutinized, which was done

in all of these cases and without exception every court has passed upon this contract and approved it without qualification and without reservation.

Commissioner Long: I am not talking about the contract, Mr. Chipley, but I know that you have read the Ohio Pipe Line case, 234 U. S. Report.

Mr. Chipley: I think I know what you mean.

Commissioner Long: Now the point I make is this: That they took upon themselves in that case the view that all of those corporations were actually before them and that they had to consider them all, through, as a matter of fact they were not call- before them. Now, you take in this case,—and you are very frank and fair about it,—you frankly admit that the Southern Bell Telephone and Telegraph Company owns ninety-nine per cent of the stock of the Southern Bell. You might say that you are really one hundred per cent a southern Bell Company. Therefore, it seems to me that we have a stronger case along those lines before us. If we should be called upon to take that feature of it into consideration, than was the case before the Supreme Court of the United States when they had the Ohio Pipe Line case up there. It kind-a looks to me as if we have actually got not only the Cumberland before us but the Southern Bell and the American Telephone and Telegraph Company as well. I don't mean that they are here in their proper corporate persons, but they are here before us in effect.

Mr. Chipley: You do not understand that the Ohio case thay you refer to has reversed the decisions of the case of Smythe vs.
777 Ames, and the Minnesota Rate Case, do you?

Commissioner Long: Reversed by them, you mean?

Mr. Chipley: Do you understand that the decision in the Ohio Pipe Line Case that you referred to reversed the decision of the pipe line case that you referred to reversed the decision of the Supreme Court of the United States handed down in Smythe vs. Ames case, which is the fundamental case in the courts of this country on rate questions, holds that the sole issue is the amount and the value of the property in the state where the inquiry is being held, and the expenses and the revenues, without the relation to what may be the result anywhere else; taking the position, which has from that to this been the controlling rule, that no one state can be called upon to make up the losses of another state, and vice versa; so that the sole issue in the case before this Commission is as to the property within this state devoted to the use of the public, and the expenses and revenues in connection with the operation of that properry, regardless of what may be the result in any other state; and I say flat footedly that the ownership of the property is not a matter of inquiry at all.

Commissioner Long: That is correct, Mr. Chipley? I think, but you will bear in mind, of course, that your testimony is not predicated upon your operations simply within this state, but predicated upon your operations in four states and part of a fifth one.

Mr. Chipley: We are coming to that. Mr. Hoxsey's testimony now is showing the effect upon the operations in this state of this con-

tract with the American Telephone and Telegraph Company; showing the savings in the State of Louisiana by virtue of that contract. We have finished with that part of the testimony, which we were required by the rules laid down in trying cases of this kind, and that is to show the operations of the company as a whole and then to show them within the incividual state. We are now coming to that point of our testimony which deals exclusively with operation within the State of Louisiana.

778 Commissioner Long: Well, I did not mean to interrupt you, but I just wanted your opinion and your view on that subject.

Mr. Chipley: Now, Mr. Hoxsey, your position with the Cumberland company is such that you have access to and control the books and records and papers of that Company?

Mr. Hoxsey: I have.

Mr. Chipley: Those books and records, except such as are in the treasurer's office, are physically and techincally in control of the general auditor, are they not?

Mr. Hoxsey: They are.

Mr. Chipley: And he is subject to your instructions?

Mr. Hoxsey: He is.

Mr. Chipley: Now, the statement which you have before you and which you are to present in this case, did you cause them to be prepared and are you yourself familiar,—sufficiently familiar of your own knowledge,— to say whether such figures and statements as prepared and purporting to come from the books of the company do come from the books of the company?

Mr. Hoxsey: Yes, sir, most of the statements that I have here I personally prepared myself. Certain of the statements have been prepared by the auditing department under my direction and supervision, and I have sufficient general familiarity with the affairs of the company to know that sucs statements are in themselves reasonable, and I believe them to be correct.

Mr. Chipley: How many people would we have to bring here if we brought everybody who had a hand in the preparation of these statements?

Mr. Hoxsey: Well, there are in the auditing department something over two hundred men, most of whom worked, at one point or another, upon the *gi*gures which have entered into these statements. The data from which they were made comes through thousands of men in the field forces, being a complication of data furnished by the forces in the field.

Mr. Chipley: At one time you were auditor of the company yourself?

779 Mr. Hoxsey: I was, for several years, yes sir.

Mr. Chipley: And at that time you had physical possession and control of these records and papers?

Mr. Hoxsey: Yes, sir, I did.

Mr. Chipley: And since then you have continued intimacy with these figures, if I may so express it?

Mr. Hoxsey: Yes sir.

Mr. Chipley: Now, Mr. Hoxsey, will you please show the Commission,—well before goin*t* into that,—Mr. Long was asking about the cost of operations for 1914. Have you the data here, please, the result of the company's operations for the year 1914, or as far back as you can go?

Mr. Viosca: On that point I want to ask one question and make an objection if it is answered as I expect it will be answered. Have you personal knowledge of the correctness of the entries in these various books of the company that you have used in making up these statements?

Mr. Hoxsey: Well, yes and no. That is to say as to having personally checked the details and the detailed entries, I have not done that; as to being so familiar with the companies' affairs and accounts that I can almost invariably, and in a few minutes stop a typographical error in a report of anything of that sort,—in the sense I have that familiarity and that personal knowledge of it, but as to personally having checked each figure I have not done so.

Mr. Viosca: And the entries were not made by you?

Mr. Hoxsey: They were not personally made by me, no.

Mr. Viosca: I made the same objection that I have previously made, and that is that this is hearsay evidence.

Chairman Taylor: Well, your objection will be overruled, Mr. Viosca. The Commission has never refused to permit testimony of this character to go into the record, because it would be almost a hu*nam* impossibility to bring everybody here who put a
780 scratch of a pen in the making up of these figures. You ought to appreciate how impossible that would be.

Mr. Viosca: Very well, Mr. Chairman, I would like to make the same objection, and have the record show it, as to all of these statements.

Chairman Taylor: Well, in the sugar can- rate case, in the 107th la., the supreme court held that an expert could testify from books that were kept under his supervision and direction without even having to go over them; go ahead with your examination of the witness, Mr. Chipley.

Mr. Viosca: Well, I reserve a bill of exceptions to the ruling of the Commission.

Mr. Chipley: Refer to your figures, please for the year 1914, if you have them, Mr. Hoxsey.

Mr. Hoxsey: I don't know how much detail you want but December 1914, the net profits to the capital stock of the Cumberland company was 6.18 per cent.

Chairman Taylor: That was for 1914.

Mr. Hoxsey: Yes, sir, for the year ending December 31, 1914. For 1915 they were 7.96 per cent.

Chairman Taylor: That was your total profits?

Mr. Hoxsey: Yes, sir total profits from all sources. For 1916 they were 8.94 per cent. For 1917 they were 9.06 per cent. For 1918, they were 4.31 per cent.

Chairman Taylor: How do you account for the gradual falling off?

Mr. Hoxsey: It was due to increased expenses, Mr. Chairman, largely.

Chairman Taylor: What was the last year you say?

Mr. Hoxsey: 1918. In other words, during that year the telephone revenues increased over the preceiding year $604,376.00, gross revenues, and telephone expenses increased $1,111,291.00. That is for the whole company.

Chairman Taylor: Those statistics that you just gave include all of the business?

781 Mr. Hoxsey: Yes sir, all of the business of the company.

Commissioner Long: You mean for the four states?

Mr. Hoxsey: Yes sir, the whole 4.25 states, for the Year 1919 the net profits to the capital stock was 3.21 per cent. Now, Mr. Long asked something about 1913, and,——

Commissioner Long: The revenues?

Mr. Chipley: Mr. Hoxsey has the company earned its divident up to this time?

Mr. Hoxsey: No, for the ten monehs of 1920 there is a deficit in the six per cent dividend retirement of $498,789.00.

Commissioner Long: There is one thing you are sure of, Mr. Hoxsey, and that is that there is not a share of stock of the Cumberland Telephone and Telegraph Company outstanding free and loose, where any man can get hold of it for the purpose of receivership proceedings if he did not approve of the management of the company or any contract that you might have with some allied corporation.

Mr. Hoxsey: Yes sir, there are several stockholders of the Company.

Commissioner Long: Of the Cumberland Company?

Mr. Hoxsey: Yes, sir, you just twisted your figures in the statement that you made just a little while ago, but I did not think it was worth while to correct you. I said that the Southern Bell owned over ninety per cent of the Cumberland company and that the American Telephone and Telegraph Company owned one hundred per cent of the Southern Bell. There are some Louisiana stockholders of the Cumberland Company, so far as that goes.

Commissioner Long: Anybody except exployees?

Mr. Hoxsey: They are not employees, no, sir, they are residents of the City of New Orleans with wohm we have no affiliations whatever. Now, as to your question regarding 1914. The gross revenue for the year ending December 31, 1914 was $8,300,354.00; and the telephone expenses were $6,664,804.00.

782 Mr. Chipley: The books of the company show what amount of property it has in the State of Louisiana, do they?

Mr. Hoaxsey: They do, yes sir.

Mr. Chipley: Those figures being the original cost of the property at the time it was constructed?

Mr. Hoaxsey: With the exception of the reduction in 1910 to which I have already referred.

Mr. Chipley: Have you prepared a statement showing the investment for the years 1916 to 1919, and for the year ending July 31,

1919, of the investment, revenue, expenses, and operation of the company's property in Louisiana.

Mr. Hoxsey: I have prepared such a statement, yes sir.

Mr. Chipley: I will be glad to have you present it to the Commission and explain it.

Mr. Hoxsey: I will file it as my exhibit No. 1.

(The exhibit so offered and identified, was thereupon filed in evidence, and marked "Hoxsey" Exhibit No. 1.)

Mr. Chipley: Go ahead, Mr. Hoxsey.

Mr. Hoxsey: In the year 1916 the average investment in Louisiana was $8,464,821.61. By average investment I mean this: If we took the investment at the end of the year, since this has been a constantly growing property, and it is always larger at the end of the year than at the beginning of a year,—if we took that as a basis to determine the rate of return it would be unfair because it would be too much, the profits having been earned on a smaller investment throughout the co-rsee of the year, though gradually increasing. Consequently we take the investment at the beginning of the year and add it to the investment at the end of the year and then divide the result by two in order to get the average investment for that year.

Mr. Chipley: Now, just a moment: That represents what it cost to construct the physical property in the State of Louisiana.

Mr. Hoxsey: Yes, sir.

783 Mr. Chipley: It includes nothing for going concern value?

Mr. Hoxsey: It includes nothing but the physical property,—the bare bones of them physical property.

Mr. Chipley: Nothing for going concern value?

Mr. Hoxsey: Nothing whatever.

Mr. Chipley: Nothing for franchises?

Mr. Chipley: Or any other intangiable values?

Mr. Hoxsey: It includes nothing of that sort. It covers nothing but the physical properties actually used by the company in the State of Louisiana in furnishing telephone service.

Mr. Chipley: It includes nothing outside of the State of Louisiana?

Mr. Hoxsey: Nothing, no, sir.

Mr. Barrow: Does it represent an average or the actual investment?

Mr. Hoxsey: It represents $55,651.00 less than the actual cost of the investment, as I explained this morning. Now, the gross revenue was $2,721,650.00; expenses $2,092,416.54; the net revenue being the difference between the two, or, $629,234.06. The percentage of the net earnings to the average investment was 7.43 per cent.

Mr. Chipley: Now, gross revenue is what?

Mr. Hoxsey: Well, gross revenue is tha amount of all business, whether collected or not, charged to the public, originating in the State of Louisiana during the year in question.

Mr. Chipley: That is for service furnished?

Mr. Hoxsey: Yes, sir, for service furnished.

Mr. Chipley: And nothing else?

Mr. Hoxsey: There is an item included in that of miscellaneous revenue, which includes the profits upon sales of material, upon jobs done, etc., and the exact amount I have farther here under private control. For instance we sell batteries to farmers for use on farmers' lines. We occasionally construct a private line for a man who cannot get it done for himself. It is mostly an accom-dation service, and some miscellaneous revenues included in that from these
784 various sources,—being mostly for work done by our forces and materials sold.

Mr. Chipley: But nothing from such stocks or bonds as the company might own?

Mr. Hoxsey: No, sir, nothing of that sort.

Mr. Chipley: Go ahead. The expenses, what ar- they?

Mr. Hoxsey: The expenses are the actual cost of the operations of the property in Louisiana, including a proportionate amount of the expenses incurred at the headquarters of the company. There is a general *gorce* at the headquarters of the company whose operations extend all over the state. That cost is prorpted to the different states and exchange in accordance with the relative investment of each exchange in each state.

Mr. Chipley: Well, you will explain that more in detail when we get to the end of July of this year, but has this any relation or bearing or any connection with the capitalization of the company?

Mr. Hoxsey: None whatever. In other words, if the capital stock had been given away or if we had gotten $200.00 a share for it, this figure would not be altered one way or the other.

Mr. Chipley: If the capitalization of the company were $100.00 or $100,000,000 would it affect any of these figures?

Mr. Hoxsey: It would not affect then at all, no, sir. There are no interest charges in this expense figure.

Commissioner Long: I understood from the testimony yesterday thet whenever there was any improvements or additions to the property it represented new money that came from some source outside of the earnings?

—. ——: That is correct.

Commissioner Long: That money came out of the American Telephone and Telegraph Company, did it not?

Mr. Hoxsey: Part of it came directly from the public. The publice owns the bo-ds of the company. They are widely distributed.

Mr. Chipley: These are solely the operating figures for Louisiana, are they not?

785 Mr. Hoxsey: That is correct.

Mr. Chipley: Go ahead now.

Mr. Hoxsey: Now, in 1917 there was an increase in all of the figures; average investment, gross revenue, expenses and net revenue; and also an increase in the per cent of the net earnings to the average investment, which went up to 8.51 per cent. In 1918 the investment, gross revenues, and total expenses, all went up, but expenses went up more than the revenue and net revenue was re-

duced to $595,185.05. In 1918 the net return on the average investment was 6/13 per cent. In 1919 the average investment, gross revenue and total expenses again went up, but the net revenue again went down. It will be remembered that in half of 1919 the increased rates were in effect,—that is the increased exchange rates were in effect, and for eleven months of that year the increased toll rates were in effect. In spite of those increases in rates, the percentage of net earnings to average investment declined from 6.13 per cent to 5.59 per cent. In the year since government released the property,—the year ending July 31, 1920,—and these new rates were in effect during the entire year the figures read——

Mr. Chipley: You mean the twelve months of private control?

Mr. Hoxsey: Yes, sir, the twelve months of private control; all of the items went up, including net revenue, which was $663,801.07 or 5.92 per cent on the average investment.

Mr. Chipley: Now, Mr. Hoxsey, for the year ending July 31, 1920, your operating expenses there were, for the entire twelve months, showing the real average for the twelve months?

Mr. Hoxsey: Yes, sir, being the average for the twelve months.

Mr. Chipley: Now, as a matter of fact, did you- operating expenses increase during the year, or did yhey remain standing, beginning with August, 1919?

Mr. Hoxsey: They increased very materially during the year. I have a later exhibit which will go into that more in detail.

786 Mr. Chipley: That will be put in evidence in detail then?

Mr. Hoxsey: Yes, sir.

Mr. Chipley: But of the expenses throughout the entire year ending July 31, 1920, were what the expenses are today, or upon the same cost and level, what would have been the net return?

Mr. Hoxsey: If the expenses throughout the year ending July 31, 1920, had been of the cost level reached in November, 1920, last month, the return would have been 4.04 per cent, instead of 5.92 per cent.

Mr. Chipley: What was the company's average investment during the same year?

Mr. Hoxsey: That is indicated in my Exhibit No. 2, which I will now file in evidence.

(The document so offered and identified, was thereupon filed in evidence, and marked "Hoxsey's Exhibit No. 2.")

Mr. Hoxsey: For the company as a whole for the year ending July 31, 1920, the average investment was $42,187,285.00. The total telephone revenue, exchange and toll, was $13,900,300.00; the total expenses were $12,207,041.00; net telephone earnings were $1,693,251.00, or a return of 4.01 per cent on the average investment.

Chairman Taylor: That is for the whole company?

Mr. Hoxsey: Yes, sir, for the whole company.

Mr. Chipley: Now, Mr. Hoxsey, please tell the Commission to what extent the operating expenses, or the cost of operating has increased.

Mr. Hoxsey: Well, I have here a comparison between the months of January and October, 1920, in my exhibit Hoxsey No. 3, which I now file.

(The exhibit so offered and Identified was thereupon received in evidence, and marked "Hoxsey's Exhibit No. 3.")

Mr. Hoxsey: In my exhibit No. 2 it will be observed that the per cent of net telephone earnings to the average investment for the year ending July 31, 1920, which was the year under private control, was 4.01 per cent. January 1920 was slightly more
787 profitable than that, being at the rate of 4.28 per cent per annum; while for October 1920 the rate had declined to 3.01 per cent.

Chairman Taylor: How do you account for that?

Mr. Hoxsey: Because, sir, the expenses have been constantly going up. For instance, in the State of Louisiana, alone, the salaries and wages alone in three departments, commercial, traffic and plant were $11,166.22 a month higher than they were in July.

Chairman Taylor: For what month is that?

Mr. Hoxsey: That is October as compared with July of this year.

Mr. Chipley: That is for Louisiana alone?

Mr. Hoxsey: Yes, sir, that is for Louisiana alone, and the expenses have constantly been going up.

Mr. Chipley: Then, Mr. Hoxsey, there is a gradual coming together of the revenue and the expenses?

Mr. Hoxsey: There is, yes, sir; they are constantly coming closer together.

Mr. Chipley: Now, Mr. Hoxsey, when expenses equal revenue or exceed it what happens?

Mr. Hoxsey: Bankruptcy.

Mr. Chipley: How far apart are those two lines now?

Mr. Hoxsey: They are getting very close together indeed. I have here an exhibit, being my Exhibit No. 4, which I now introduce.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit No. 4.")

Mr. Hoxsey: This shows the ratio of operating expenses to operating revenue for the year 1914. This exhibit, I notice, had a dollar mark before the second column, which is a typographical error. That column represents percentages. I refer to that column beginning 80.29 with the dollar mark in front of it. Those are not
788 dollars, they are percentages. In 1914 the ratio of operating expenses to operating revenue was 80.29 per cent.

Mr. Chipley: What does that mean?

Mr. Hoxsey: It means out of every one hundred dollars taken in that we spend $80.29 to earn that money, the difference between the two, or $19.71, being available for interest and dividends. In 1915 the ratio had gone down to 76.87 per cent. In 1916, it rose slightly, being 76.92 per cent. In 1917 it was 77.93 per cent. In

5 7 7

1918 it was 83.95 per cent, and in 1919 it was 87.95 per cent. For the first seven months of 1920 it was 88.40 per cent.

Mr. Chipley: What was the p-r cent for October, 1920?

Mr. Hoxsey: 90.84 per cent, and uninterrupted increase in the revenue and a decrease of the profit since 1915.

Mr. Chipley: Now, taking October, 1920, you have left out every one hundred dollars of revenue you received how much net?

Mr. Hoxsey: $9.16.

Mr. Chipley: For the payment of interest and dividends and surplus?

Mr. Hoxsey: Yes, sir.

Mr. Chipley: Is it sufficient to do that?

Mr. Hoxsey: It is not dufficient to do it. As a matter of fact for the month of October we fell short of earning out 6% dividend requirement by $58,137.00.

Mr. Chipley: Taking up now the question of wages and the increases which have been made, give the Commission some idea of the comparison of the increase in our gross revenue with the increase in wages we pay.

Mr. Hoxsey: That is shown in my exhibit Hoxsey No. 5, which I now file

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit No. 5.")

Mr. Hoxsey: This exhibit shows by six months periods the increase in gross revenue per telephone station, per month, and the increase in salaries and wages per telephone station per month. In January 1916 the gross revenue per month per station was three dollars and fifty-nine and four-tenths cents; the- declined
789 slightly in July 1916 to three Dollars and fifty-four and six-tenths cents. From that time on it went up consistently each month to and including the increases which took place just before the period of June 1919, and that is shown here and since that time. That increase includes not only in the latter years the rate increases of 1919, but it also includes a very great increase in the volume of toll business. In all of our figures, in order to avoid assumptions as much as possible, are taken back to the actual result for the year ending July 31, 1920, during which we had the largest volume of toll revenue in our history. The third column of figures in this exhibit shows that the gross revenue for July 1920 was $1.32 and one-tenth cents per station more that the gross revenue for January 1916. The secund series of figures,—the last three columns upon the exhibit,—shows the total amount of salaries and wages per telephone per station per month in each of these six months, starting with one dollar and forty-nine and sixteenth cents per station in January 1916. It went down 4.9 cents in July 1916 and down 5.7 cents more in January 1917. It then went up more than that combined amount and to higher than the January 1916 level in July 1917. It dropped slightly but still higher than the January 1916, level, in January 1918, and then went up rapidly; so

that in July 1920 the total increase in salaries and wages per month as compared with January 1916 was one dollar forty and nine-tenths cents.

Chairman Taylor That is for the company as a whole?

Mr. Hoxsey: Yes, sir; for the whole system. In other words it means that not only the increased volume of the toll business, but the increased rates all went to the employees, and more than all went to the employees. The stockholders got no *genefit* from it at all. The entire increase in revenue and an additional sum*m* all went to the employees.

Chairman Taylor: Right there I would like to ask you this question. How do the rates in Kentucky Tenn., and Mississippi at present compare with the rates now collected by your company in Louisiana? Will you file a statement of that sort?

790 Mr. Hoxsey: I have not such a statement with me, but I will say this,——

Chairman Taylor: What I want is this: Were the earnings for all the rest of the system the same as prevailed in Louisiana at the time this statement was made up?

Mr. Hoxsey: Well, of course, New Orleans is a city in a class by itself. We have no other such city of that size in this territory. However, with the exception of New Orleans our rates for the same size exchanges operatee in the same manner,—that is, magneto or common battery, are the same in all our *our* states, with the following exceptions: In Shreveport, the rate is less than the rate for other like cities; and exchanges with less than fifty subscribers are somewhat irregular in their rates, the rates varying a great deal. They were not affected by the Postmaster General's order nor by subsequent order of this Commission, and those rates vary considerably.

Chairman Taylor: Did the Commission in Kentucky, Tennessee and Mississippi extend the so-called Burleson rates for a period of twelve months?

Mr. Hoxsey: There was no commission at that time that had jurisdiction of the matter in Kentucky. The other Commissions did so extend them, and the parties having authority is Kentucky also extended them,—I mean the various cities in Kentucky where we operate exchanges.

Chairman Taylor: Then practically the same situation obtained in all of these other states as obtains in Louisiana at the time these figures were taken, so as to give substantially the same percentages?

Mr. Hoxsey: That is correct, yes, sir.

Mr. Chipley: Now, Mr. Hoxsey, you testified yesterday, and there was more or less discussion about it,—well, before we get into that, what effect, if any, has the increased cost levels had upon the operations of the company.

Mr. Hoxsey: That is shown in my Exhibit No. 6, which I now file.

(The exhibit so filed and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit No. 6.")

791 Mr. Hoxsey: The figures in my exhibit No. 6 are for the company as a whole, but have a direct relation, as will be explained in the next exhibit, to Louisiana. The average number of stations for the year ending July 31, 1920, was 235,605 stations. The actual expense per month per station for the year ending July 31, 1920, was: operating expense,—by which I mean all expenses except current maintenance, depreciation, and taxes, $2.26 and three tenths cents; current maintenance was .929 cents; depreciation, 83.7 cents; taxes 28.7 cents; the total being $4,316 per station per month.

Chairman Taylor: That is the actual expense?

Mr. Hoxsey: Yes, sir, for the system as a whole. Now, taking the ten months ending October 31, 1920, and bringing it up to a later date we find that the total expense was $4.428 per month. That is for the ten months including the low months at the beginning of the period. Take July 1920, and the total expense per station was $4,546. In October, it had declined slightly, from July, it being $4,524. That decline is more apparent than real, however, because you will notice that it — grown in the item of taxes. At the beginning of the year we endeavor to forecast taxes for the year and to apportion it monthly throughout the year so as to have an even amount every month. About the month of August it became plain that we had forecasted too much taxes for the reason that the income was cut so badly that we would not have Federal income taxes to pay that we had expected; and so we had to reduce the amount of taxes for the last four months of the year, or the last five months to a considerably lower level than those of the first seven months, in order to make it proportionate throughout the year.

Commissioner Long: The repeal of war time legislation, then, of course, remove the burden on your operations in a certain small degree, should it not?

Mr. Hoxsey: Well, the company has never paid any excess profits tax because it has never earned since that law has been in effect enough to make it liable for an excess profit tax; but it is
792 paying its income tax, and, of course, anything affecting the income tax will affect the company to that extent.

Mr. Chipley: But the income tax law is not included in the repealing legislation that has been introduced, is it?

Commissioner Long: I don't think it is.

Mr. Hoxsey: Now, just as I left Atlanta for here I got the figures for the month of November,—not in time to include them in this statement, however,—and the November taxes show lower, that is the same amount of property but divided by a larger number of stations. The November expenses were $4.58 per station as against $4.524 for October. Now, the fifth column of this exhibit shows the estimated expenses per station per month for the year 1921, without allowances for wage increases after July 1920, because I am taking that up separately, or for any increases in the income tax, which will be if we get these rates and have a larger net profit. That is made upon the same basis as the last column of the first

chart which I showed here. We are predicting our estimate of what will occur under these rates upon $4,425 per *per* station, exclusive of increased wages.

Mr. Chipley: You mean the rates you are asking?

Mr. Hoxsey: Yes, sir, but we are assuming that the expenses per station in 1921, exclusive of increases in taxes and increases in wages; will be $4.425. That, you will notice, is less than the average for the ten months ending October 31st. It is very materially less than the amount for July 1920. It is nearly ten cents per station per month less than for October 1920. As compared with July, 1920, it seems that we are expecting to make economies for the system as a whole amounting to $446,000.00 a year as compared with the level actually reached in November, which I did not have at the time these figures were made. It would — $100,000.00 to these figures. That is to say it would contemplate an increase of approximately $550,000.00 as compared with the level of expenses actually reached in the month of November.

793 Mr. Chipley: Now, before going any further, you are taking the expense per station figure, which is less than your actual expense per station to-day?

Mr. Hoxsey: Yes, sir, and less than it has been for many months.

Mr. Chipley: And that is the basis on which you are asking for these new rates?

Mr. Hoxsey: That is correct.

Mr. Chipley: And on the other hand you are proposing to effect economies that will save $446,000.00 a years as compared with the July level, or approximately $550,000.00 as compared with the November level.

Mr. Hoxsey: Yes, those economies being, in part, improved material and in part more efficient labor,—in fewer people to do the same amount of work, that being offset, which will be explained in a letter exhibit, to some extent, by increases in the salary account.

Mr. Chipley: Now, the figures on this exhibit and the succeeding exhibits will be used to explain and show that you expect to be the return from the new rates.

Mr. Hoxsey: That is exactly.

Mr. Chipley: So it is well to remember that, gentlemen, because the same character appears again in the drama.

Commissioner Long: One question berore you go any further. When were your bonds issued, Mr. Hoxsey? And likewise, then were your notes issued?

Mr. Hoxsey: The bonds were issued January 1st, 1912 and,——

Commissioner Long: How many were issued then?

Mr. Hoxsey: $15,000,000.00 were issued than.

Commissioner Long: That is where the 4.25 sticks, of course?

Mr. Hoxsey: Yes, sir.

Commissioner Long: When were your notes issued?

Mr. Hoxsey: The notes have been issued right straight along. That is to say that we have borrowed money and then we have sold capital stock and cancelled so much of the notes, tnd then we have

borrowed money again; but as an example, up until the end
794 of October, we have borrowed from the American Telephone and Telegraph Company, so far this year, $969,500.00, and expected to take a million and a quarter more before the close of the year.

Commissioner Long: Now, do you know when the other notes were issued about? Were they issued since 1914? Were all of the notes now out issued after 1914, or before 1914?

Mr. Hoxsey: On December 31, 1914, there was outstanding in the hands of the public $6,000,000.00 of two year notes, which matured since then and for which we borrowed money from the American Telephone and Telegraph Company to pay the indebtedness, which indebtedness was subsequently dimi-shed by an issue of something over $3,300,000.00 of capital stock; and then additionas sums borrowed to bring the indebtedness up to the present figure.

Commissioner Long: The money was therefore reased to pay to the public by you from money you got from the American Telephone and Telegraph Company,—that is from stock which was issued and which they bought.

Mr. Hoxsey: Yes, sir, but at no time were we,—

Mr. Chipley: What do you mean by paying it to the public? You didn't pay this money to the public did you?

Mr. Hoxsey: Why, we paid it to the public in the sense that the public held $6,000,000.00 of our notes and we paid the notes and took them up.

Chairman Taylor: In other words, you merely took up your outstanding notes, that is all.

Mr. Chipley: What relation, or what effect, if any has all of the sureties,—stocks, bonds and notes,—upon our property and the cost of operations and furnishing service in Louisiana?

Mr. Hoxsey: It has no relation with any of the figures; but, of course, it has an important bearing on the company itself in that if we cannot finance the company we cannot develop in Louisiana or anywhere else.

Mr. Chipley: But it does not change the operating figures, does it?

795 Mr. Hoxsey: It affects then in *on* way at all. Now, if expenses had been going down during this period, since we are asking the Commission to fix rates for the future and not for the past, it would have been proper not to allow for any economies. As a matter of fact we have allowed for economies, to the extent that the level of the expenses is still 10.9 cents per station per month higher than for the years under private control, the year ending July 31, 1920; as is seen by subtracting the first column of figures from the fifth column of figures, and that means we needed an increased revenue per station per month necessary to make the same net as in the year ending July 31, 1920, if the expenses in that year had been on the 1921 basis, as *as* have estimated it here and that 10.9 per cent is 2.53 per cent of the total expenses.

Mr. Chipley: Now, that is for the company as a whole?

Mr. Hoxsey: Yes, sir.

Mr. Chipley: Now, apply that same formula to the State of Louisiana.

Mr. Hoxsey: I show that in my Exhibit No. 7, which I will file.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit No. 7.")

Mr. Hoxsey: In this Exhibit I applied these figures to the State of Louisiana. We do not keep and make up separate balance sheets for each state, but we take off from the statistical records an amount for each state, which of course, must balance with the result as a whole. In this next statement I am assuming that the same general trend in the cost levels which applies to the company as a whole will also apply to Louisiana. I know of no reason why it should not be perfectly fair assumption, but it is an estimate. The total expenses in Louisiana for the year under private control was $3,361,-613.00. The average number of stations was 62,673; and taking the figures upon the preceding exhibits and applying the percentages of increase in expenses for the year 1921 over the average for the year under private control, makes $92,474.00 necessary to meet the assumed level of expenses for 1921. Taking the figures per
790 station and applying them to the average number of stations in Louisiana makes $81.453.00. Either of those figures may be slightly incorrect. To make a fair estimation I have added them together and then divided them by two, and in making an estimate of the results of the increased rates I have used the mean or the average of those two figures, viz. $86,964.00 as the amount which it is necessary to add to our revenues to take up the increased cost level, without increase in wages or increases in income tax expenses from 1921, or, rather, which in 1921 will show over the year under private control, all of which will be summed up in a later exhibit.

Mr. Chipley: And in doing that you took the cost per station which is less than the cost per station at this time?

Mr. Hoxsey: Yes, sir.

Commissioner Long: Government control began on what date?

Mr. Hoxsey: On July 31, 1919, at midnight.

Commissioner Long: When did it end?

Mr. Hoxsey: July 31, 1919 at midnight.

Mr. Chipley: Mr. Hoxsey, Mr. Yundt brought out yesterday very clearly that in the construction of property the element of material was large, even predominated in the cost of plant.

Mr. Hoxsey: Yes, sir.

Mr. Chipley: But that in the operation of a plant after it had been constructed the element of material formed a very small part of the operating expense.

Mr. Hoxsey: That is correct.

Mr. Chipley: Now, the cost of constructing this property is not in any of the operating statements, is it?

Mr. Hoxsey: No, sir, except that a higher level of construction cost means a higher level of depreciation charges, which is one of the elements of expense.

Mr. Chipley: But the operating of a plant after it has been constructed, to what extent will a reduction in the cost of material

reflect itself in the net result of the operations of that plant?
797 In other words, what I want is this: There has been a great deal said here with regard to the rapid decline in the prices of material and the prospect for still further decline, which, of course, we hope will come about; but I wish you would tell the commission just what effect that is going to have upon the net operating results of the company.

Mr. Hoxsey: It will affect for each ten per cent reduction in the price of material, using the purchases as they have occurred for some years past, it will affect the net return on the investment a little less than eleven one thousandths of one per cent for the year 1921. That is to say that if material were to decline fifty per cent below the level of this year which we have been considering, and if that reduction were to take place suddenly on January first, 1921 so as to enter into the construction and everything else for the year, the reduction in the cost — the material, plus a lessening in the depreciation charges on the new plant, built during that year, would amount to fifty three one hondredths of one per cent on the investment.

Commissioner Long: But, Mr. Hoxsey, if your rate were going to give nine thousand additional telephones in the state of Louisiana it would be quite a little, would it not?

Mr. Hoxsey: About fifty three one hundredths of one per cent upon the investment in Louisiana as the average for the year 1921, which would amount to about $60,000.00. In other words, a reduction of fifty per cent in material would increase the net earnings anticipated in Louisiana for the next year about $60,000.00. Now, it would be greater than that in 1922. That is, as more *as more* and more plants were added due to a lower level investment, why the effect upon the depreciation account would become cumulatively now making 4.04 per cent, and this material price reduction of larger.

Mr. Chipley: But if we operated these present plants that we now have and cost of material reduced fifty per cent, a-d *we are* price — of fifty per cent occur-ed, what would be the effect?

798 Mr. Hoxsey: We would make, as I stated, 4.04 per cent with the present level of expense of *it* the present level of expense had been continued throughout the year we are considering. Now, a reduction of fifty per cent in the price of material during that year would have made that return 4.57 per cent, as nearly as it can be estimated. It would vary slightly from that figure because I have made that figure upon the 1921 investment, which was not exactly the same as for the year under private control. We both look for and hope for a reduction in the cost of material but that is the extent to which it would affect our operating results. That is the extent to which it would affect it for the next year. Som-thing would be added to that for the following year, of course.

Mr. Chipley: Now, Mr. Hoxsey, the proposition had been made,— I think the City Attorney of New Orleans called my attention to the fact this morning, that there were several thousand of people at this

time who are offering to work for lower wages in New Orleans. Now——

Mr. Viosca: I said there were one thousand carpenters out of work, who were offering to work for twenty-five per cent less than they had been getting.

Mr. Chipley: Mr. Hoxsey; do you look forward to any decrease in the salaries and wages of our employees?

Mr. Hoxsey: Only in one class of wages, and that is common or unskiller labor, of which we employ a relatively small proportion.

Mr. Chipley: What proportions of the operations of the property do we use unskilled in?

Mr. Hoxsey: I really do not know, but it is very small.

Mr. Chipley: Will it be necessary, and if so why, and if so, to what extent, to increase any wages of our employees?

Mr. Hoxsey: We contemplate, if these increases in rates are allowed, to increase wages as shown by my exhibit 8, which I now file in evidence.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit No. 8.")

789 Mr. Hoxsey: It will be our purpose to increase wages in Louisiana during the eighteen months ending December 31, 1921, by $257,401.00, of which,——

Chairman Taylor: That is for the State of Louisiana?

Mr. Hoxsey: Yes, sir, for Louisiana alone; of which $223,910.00 would be wages charged to expense and $33,491.00 would be wages charged to construction.

Mr. Chipley: Now, by expense you mean the expense of furnishing service?

Mr. Hoxsey: Yes, sir, the expense of furnishing telephone service. I do not mean it would be out intention to put that increase all in as of a given date, but ever since the close of 1916 we have been pursuing a policy of meeting a condition of gradual increases in wage scales, first in one department then in another; first in one section then in another, and we desire to continue that same process in an orderly way up until the end of 1921, at which time we think our forces will be receiving an adequate pay. We do not desire to go beyond that point, and as we now see it, except for individual merit and efficiency. The reason why we think that is necessary, among other things, is this,—and while I am not comparing the two companies and I do not mean to say that conditions are identically the same, yet, it is fairly illustrative of the point that I have in mind. I have with me here a tabulation of the United States Steel Company's report for a number of years past. It shows in the year 1919 their average wage per employee was $1,905.00. If we had paid out in wages our entire gross receipts the wages would have been less than that. The gross receipts of the Cumberland system and the Bell Telephone Company for the year 1919 were only $1,578.00 per employee. Obviously, we cannot pay out more than that if we paid nothing for any purpose except wages, even if we had no interest and dividends payments to meet at all. Moreover, of course, there is a different class of labor. I understand that very well, and with the

higher skilled labor of the steel company it is proper and right that their wages should be materially in excess of ours; but in Louisiana as of June 30th, our average wage was $854.56 per year which
800 is considerably less than one-half of the Stell company's wage. It is about thirty per cent less than, for those comparavle items of works than the railroad wages. Naturally that means that we have had a great turnover in our forces; that we are unable to keep people until they become experienced and of value to us. Therefore, we wish to raise wages to the extent of 12.3 per cent in Louisiana, which would mean an average increase, which will be distributed equitably between the different departments of 12.3 per cent upon the existing wages, but which will still only give an average wage of around $80.00 per month. Now, that is little enough and we think that with such an increase we will be able to hold our forces.

Chairman Taylor: That is the average?

Mr. Hoxsey: Yes, sir and we feel that it will permit us to hold our forces and get well trained people who will render efficient service. Our trouble now is that we have to train too many people, and we want to keep them long anough to get the vice from them. Therefore, if this increase is approved by the Commission, and without such approval we cannot get it, it will be our purpose to increase wages and salaries as I have stated.

Mr. Chipley: Mr. Hoxsey, this company is furnishing a general telephone service in the State of Louisiana, is it not?

Mr. Hoxsey: Yes, sir.

Mr. Chipley: Where are the lines built that you furnish that general service?

Mr. Hoxsey: The lines are built continuously throughout the State, there being numerous exchanges and toll lines connecting all of them.

Mr. Chipley: Does municipal or county limit offset or have any bearing upon the demand for service?

Mr. Hoxsey: None at all.

Mr. Chipley. Now, all exchanges are connected one with the other?

801 Mr. Hoxsey: Yes, sir, by toll lines.

Mr. Chipley: And the lines are built to meet the demand for service wherever that may be?

Mr. Hoxsey: That is correct.

Mr. Chipley: Now, is there any difference between the so-called exchange service and toll service?

Mr. Hoxsey: The difference is one of distance and consists not only in the distance separating the called and calling party, but in the fact that there is additional equipment and circuits known as toll equipment and known as toll circuits which are used. Now exactly the same kind and character of exchange facilities are used in toll calls as are needed in an exchange call, but additional facilities are used in a toll call.

Mr. Chipley: Now, explain and get that point clearly in the record. Explain the characteristics of the service.

Mr. Hoxsey: This top diagram here indicates the local call at a single central office exchange. The subscriber calls the central office who calls the subscriber wanted, thereby completing the call. The second is a multiple office exchange, such as obtain in New Orleans for instance. The calling subscriber calls what is known as the "A" quotations board on which his line terminates at the central office with which he is connected. The "A" board operator calls what is known as the *quototans* board "B" operator at the distant central office. The "B" board operator plugs in and rings *and* called subscriber. In the reverse direction the operation is the same. The subscriber calls the "A" board, who calls the "B" board, the distant exchange, he calls the subscriber. Now, in a toll call the subscriber, as above illustrated, calls the "A" board one which his line terminates. The "A" board then calls the toll board in the distant exchange. The toll board then rings the "B" board in the distant exchange, who in turn rings the called subscriber. The reverse operation is exactly the same, subscriber to "A" Board, rings to toll board,
802 to toll board to "B" board and then to the called subscriber. That portion of the apparatus and lines which are exclusively for toll use are shown upon this diagram in red. If you will eliminate them from the diagram you will see that you have exactly the same diagram as is shown here; that is to say, subscriber to "A" board, to "B" board, to subscriber. In that way, as you will see, a toll call utilizes exchanges ficilities at the distant exchange.

Mr. Chipley: Now, in each toll call there is the same amount of exchange facilities employed and used and in service by the exchanges as where the call is purely a local call or an exchange call?

Mr. Hoxsey: That is correct.

Mr. Chipley: Now, is it possible to separate the property in any such way as to show exactly what is used for toll purpose and exactly what is used for exchange purposes, and in like manner separate the services of employees?

Mr. Hoxsey: Not entirely so. Of course we know that certain property, such as toll long distance circuits are used solely for toll business, but all exchange property may be used either for exchange buiness or for toll business. The same employees transact both kinds of business. It is true there are special employees known as toll operators who have no duties in relation to the exchange service, but there are no exchange operators who have not duties with relation to the toll service.

Mr. Chipley: Do those toll operators when they are building up a circuit to a distant point and get that point, call the party at that point and get him on the exchange facilities?

Mr. Hoxsey: Not directly. The toll operator calls the toll operator at a distant opint, who then calls the exchange operator who gets the called party. The toll board class "B" board there as is shown by that diagram. Now, we have made many attempts to separate the cost of exchange and toll business, and I believe it to be impossible to do so. Now, the first of those attempts in
803 which I was personally engaged was in September, 1903, when I was one of a conference at Boston which went into

the matter very exhaustively. This study lasted for many months, and was for the purpose of preparing a way for that Committee to evolve some plan of segregation. A plan had been devised by that committee, but when the field men went over it it was found it was assumption upon assumption. There are certain things that have to be assumed in any business, but in this business there were hundreds of reasons why there could be no correct distribution of costs as between exchange and toll service. We tried it again ourselves, many years later, about 1914 I think, and we made a most earnest effort to separate the exchange and toll business. It was tried again in 1916, but so far as I know no one has produced a result that is worthy of any credence. We certainly have been unable to do so.

Mr. Chipley: Now, that percentage of the exchange subscribers have occasion to use toll service?

Mr. Hoxsey: We have had a number of studies made of that feature. In the earlier years we were able to make that both as to inward and outward business. We found at one time, for instance, for Atlanta, Georgia, that seventy nine and a fraction per cent of the total number of subscribers had toll service outward in the course of a year, and that nine per cent and a fraction of the total subscribers who did not use toll service outward used it inward,—that is they were called by people from a distance. Shortly after that we abandoned as to a large part of our service the making of a ticket on the inward calls. So, we are unable to tell now the proportion of people who use the toll service inward but not outward. That has run up as high as 88.2% of the total number of subscribers using toll service outward in the course of one year and as low as seventy nine and a fraction per cent.

In no case that we have studied has the percentage of sub-
804 scribers using toll service been less than 79% for outward toll service.

Mr. Chipley: And those stations using toll service vary from year to year?

Mr. Hoxsey: Yes, sir.

Mr. Chipley: So in the course of a year or two practically every telephone either has originated or has been called on a toll message?

Mr. Hoxsey: I should say that within a period of three years over ninety-nine per cent would have used the service either inward or outward, yes.

Mr. Chipley: Are the toll circuits connecting any two exchanges built exclusively to furnish inter-exchange service between those two points?

Mr. Hoxsey: No, si-, every pole circuit is su-ceptible of becoming and often does become a part of a through circuit to a more distant point than either of the exchanges involved.

Mr. Chipley: Now, what — be the effect upon this state if we were operating merely local or individual exchanges, not connected by toll lines.

Mr. Hoxsey: You mean financially?

Mr. Chipley: No, sir, I mean both financially and, but, first with reference to whether or not it would meet the demand of the public?

Mr. Hoxsey: It would not meet the demand of the public? There is a very great number of toll messages, and a large revenue from toll service, indicating clearly the great need of the public for such toll service, and any isolated exchange not connected with other exchanges, would not at all meet the domands or the necessities of the telephone using public. We have seen numerous instances of that in exchanges that are operated in places in competition with our own exchanges, where they did not have toll service; and often, in spite of the lower exchange rates, and substantially as good exchange service as we were giving, the other company would get but a small fraction of the total business, because subscribers de-
805 manded connections with other lines and with the outside world.

Mr. Chipley: What has been the results where efforts were made to operate a toll system, as such?

Mr. Hoxsey: A toll system cannot be profitably operated as a general proposition without an exchange system to provide terminal for the calls. During the decade ending in 1910 we built a great many new call exchanges. At nearly all of those points there had previously been what we call toll stations,—that is a single instrument. Upon the building of exchanges at those small points the volume of the toll business got to be ten or fifteen times what it was when there was but this single toll station there. If the telephone user was inconvenienced by having to use some other form of communication,—write a letter, or send a telegram or perhaps go himself,—I don't know,—whatever suited him best.

Mr. Chipley: Then, as a matter of fact, from every point of view, it is one service,—inter-related and a co-ordinated service?

Mr. Hoxsey: Yes, that is true. The company's system within the state is practically one telephone system for all practical purposes of operation. It may be considered as one great big exchange, between certain of whose subscribers there is a trunking charge. It is all one system, or a part of a whole. No single exchange can be considered by itself and in relation to itself alone.

Mr. Chipley: Now, New Orleans, we call it one exchange, with several exchange central offices.

Mr. Hoxsey: Yes, sir it has.

Mr. Chipley: Miles apart?

Mr. Hoxsey: Yes, sir, several miles apart.

Mr. Chipley: And the development in the State at large is merely an increase of that business?

Mr. Hoxsey: Yes, sir. In many cities larger than New Orleans there is a charge from one central office to another central
806 office in the same city where they are far apart. Take a long narrow City such as New York, that is considered, I believe, as exchange revenues, but it is of a character identical with toll service only it is confined to the municipal limit of the one city.

Mr. Chipley: Then to meet this demand for universal service in the State you have been required to build lines, to maintain and

operate them and to furnish service in parts of the State where it is profitable and other parts where is is not profitable?

Mr. Hoxsey: That is perfectly true. We perform our duties as a public servant and we have to take the lean with the fat. Some parts of the system, if they could be considered separately and by themselves, would neber be self-sustaining enough to justify their operation, they never pay more than enough to cover the office pocket cost of administration, and would bear no general part of the fixed charges of the company. Nevertheless those points are of great importance to the self-sustaining parts of the system. Not only does a subscriber at a profitable exchange desires to call a man at an unprofitable exchange, but what is often more important he desires to call or desires to be called rather by the men at the distance who has business to offer him. In that way those parts of the system which are operated without an adequate profit are operated and considered as parts of a comprehensive system to servce the convesiences and needs of the subscribers at the other exchanges.

Mr. Chipley: Now, if you were merely operating at such points in the State where you are sure of a profit, that would result in the closing up of certain other exchanges?

Mr. Hoxsey: Yes, sir, if we have to get the average profit from all exchanges it would result in the necessity of closing perhaps forty per cent of the total number of exchanges, but that would not decrease the cost of the remaining exchanges because there are certain general fixed charges which would not be materially lessened by the
807 closing of those exchanges. As it is now, the unprofitable exchange while not bearing its whole proportion of these charges, are bearing some of them, and thereby lessening the proportion of those charges which must be assigned to other exchanges. If you were to close forty per cent of your exchanges you would not materially diminish those fixed charges. It would merely mean that they would have to be divided among the remaining sixty per cent at an increased cost to the sixty per cent.

Mr. Chipley: Now, Mr. Hoxsey, can you tell approximately what you are earning at a given point in the State.

Mr. Hoxsey: We keep for our own administrative purposes statistical records, by which we show the investment, earnings and expenses incurred at or in relation to each of our exchanges separately. That showing, however, is merely a relative showing. It shows the earnings which those exchanges make not only from thier own property but from the use of exchanges at a distance. We have never been able to work it out satisfactorily on account of the volume. It might be assembled theoretically, but we have never been able to work out any system by which we are able to ascertain just exactly what any one exchange does,—exactly with what it should be charged and exactly with what it should be credited.

Mr. Chipley: Have you prepared a statement showing what we are earning in the State of Louisiana as a whole, and then approximately what the earnings are at the various exchanges in Louisiana?

Mr. Hoxsey: I have, yes. That is my Exhibit No. 9, which I file

in evidence. (The exhibit so offered and identified was thereupon received in evidence and Marked "Hoxsey's Exhibit No. 9.")

Mr. Hoxsey: The first page of this is a summary for the State as a whole, and we are dealing now with a large enough unit to feel convinced *that* the accuracy of the result, more so than in attempting to separate it up into individual exchanges.

Mr. Chipley: But when we come to a Commission whose jurisdiction is as the jurisdiction of this Commission, we must show what we are earning in this State.

808 Mr. Hoxsey: That is correct.

Mr. Chipley: Without reference to any other state.

Mr. Hoxsey: That is correct.

Mr. Chipley: And these figures are not approximations?

Mr. Hoxsey: These are actual figures.

Mr. Chipley: Go ahead and explain your exhibit, Mr. Hoxsey.

Mr. Hoxsey: Now, without reading the details, the total average investment for the year, including working capital, a part of which is not located within the State of Louisiana, but which is necessary for the operations of the system as a whole, is $11,219,033.80. That is for the year inding July 31, 1920.

Commissioner Long: Right here, Mr. Hoxsey, let me ask you this: Do you have anything to do with the turning in of your company's property to the Board of State Affairs in Louisiana?

Mr. Hoxsey: I d-, yes, sir, personally.

Commissioner Long: Did you get that information for me, Mr. King?

Mr. King: Yes, sir, I did.

Commissioner Long: What is it?

Mr. King: It is nine million dollars and something.

Commissioner Long: Do you know what it was, Mr. Hoxsey? It shows, Mr. Hoxsey, a considerable variation here, the figures being $9,524,212.00 as against $11,219,033.00.

Mr. Hoxsey: Yes, sir in making our report and in appearing in person, as I did, before the Board of State Affairs, or the Tax Commission, we *whould* them the exact cost of our property in the State as of the date of the tax return. I have *g*orgotten now what that tax return was. Of course, it was not the average for the year, but it was as of some definite date.

Mr. Henriques: It is December 31st.

Mr. Hoxsey: Yes, sir, we *should* them the actual cost of that property. I then made a very strong plea before the Tax Commission, that inasmuch as this property was not making an adequate rate or return that the assessment of the property should

800 be materially less than the cost of the property. As I now recall it, I felt that the net earnings which we were making in Louisiana, under a decision of the supreme court as to the real-tion of earnings to value for the purposes of taxation, that we were entitled to a tax assessment of not over six and a fraction millions of dollars. However, the State Board of Affairs disagreed with me as to that, but did make a small allowance as I now recall it, about

seven per cent, from the cost figures which we had shown them because of depreciation, and fixed the asses-ment on that basis.

Commissioner Long: In other words the State Board of Affairs deduced six per cent from the cost figures and in that way you got the assessment down to $9,524,212.00?

Mr. Hoxsey: Yes, sir, seven per cent.

Commissioner Long: If you divide this by ninety-three per cent then you would get the amount that you turned it *it* at?

Mr. Hoxsey: I think so. What you would have to do, sir, I think, to divide the $9,524,212.00 by ninety-three per cent, and then add some part of the cour hundred and three thousand dollars, but not all of it, because some of that working capital is within the State of Louisiana, but I could not tell you just exactly how much at this time.

Commissioner Long: Did you submit exhibits to the Board of State Affairs like you have to this Commission?

Mr. Hoxsey: I answered the questions of the Board upon the forms which they provided, which themselves constituted exhibits.

Mr. Barrow: Do you know what amount you turned into the Board of State Affairs upon which you based you- argument there that should not be over a six million dollar assessment?

Mr. Hoxsey: I do not remember the exact figures vut the returns filed show what I felt was a fair value of the property based upon its earning value, without relation to its cost, and at the
810 knowledge of the situation I did state to them the cost of the Property.

Commissioner Long: Now, for your information I have the return here, Mr. Hoxsey, to the Board of State Affairs of the Cumberland Telephone and Telegraph Company by C. A. Stair, General Manager, New Orleans, Louisiana, as shown in the Third Annual Report of the Board of State Affairs, for the year 1919. You take every parish up by itself, and you give so many miles of wire, and instruments, automobiles and trucks, etc., and you value each and every separate item as you have valued it before this Commission, and it was turned in at $9,165,224.00. That return, according to the law of this State, is made as of January 1, 1919. Now, in 1919, the company according to your propoganda that you have published for the benefit of the public in the volume which I saw entitled "The facts of the telephone situation in Louisiana," and in there you say this; "In 1919 the company's investment used by the public in Louisiana was $10,535,291.02". Now, there is a variation in those figures of $1,370,000.00. Now, in that year,——

Mr. Chipley: Variation in what figures?

Commissioner Long: In the amount at which you turned the property into the State Board of Affairs and the amount as stated in this pamphlet which you published and distributed to the public.

Mr. Hoxsey: I think that one figure pertained to the end of the year and *and* the other to the beginning.

Commissioner Long: Regardless of that, we will go back still a little further,—we will go back to 1917, two years before that,—so

there will be no doubt about it. In 1917 you had $9,157,865.63 which was only about seven or eight thousand dollars more, according to your tax return for 1919,—you had only gained in two years' time seven thousand dollars' worth of property according to the report filed with the Board of State Affairs; and yet, according to Mr. Yundt's testimony on yesterday, your gain had been a matter of two or three million dollars in that length of time. You will notice that on his exhibit eight which I have here before me. In
811 the year 1918 you turned the property in at $9,715,558.00, and in 1919 you went up to $10,535,292.00. It would evidently be reasonable fair to add the 1918 and the 1919 and divide the result by two to get at the approximate value on the first of January 1919, would it not?

Mr. Hoxsey: 1918 and 1919.

Mr. Commissioner Long: In order to find out what you had on January first 1919, wouldn't it be fair to take the 1918 and 1919 figures and add them together and then divide by two?

Mr. Hoxsey: It would give it to you approximately, yes, sir.

Commissioner Long: That would give then something like $10,150,000.00.

Mr. Hoxsey: Yes, sir.

Commissioner Long: As compared with a return of $9,165,000.00—which is merely a difference of a million and some hundred thousand dollars. Now, while we are on this subject, I am going to ask you this question, because you seem to have all of these things right clear in your mind. Now, when I first became a member of this Commission we had an application presented to us by the Cumberland Telephone and Telegraph Company, which was filed on the fourth day of October, 1918, asking for a raise in rates.

Mr. Chipley: The government had us then.

Commissioner Long: But the corporation filed the application and it is filed in its name. The man that signed it is your First Vice-President, and I understand he is now your president. Now, at that time the request that you made,—and it was before any advance in long distance rates as made by Burleson, and before any advance in the exchange rates,—you asked for the Company at that time an increase in rates. You asked for a flat rate, special line, in the Town of Abbeville, of $3.00 per month for a business telephone.

Mr. Hoxsey: All right, yes, sir.

Commissioner Long: I don't know what you are collection in Abbeville now, because this thing doesn't show it clearly.
812 Mr. Hoxsey: You want the rate in Abbeville?

Commissioner Long: Yes, sir, what is the telephone rate in Abbevelle at this time?

Mr. Hoxsey: For business special line, $3.25 per month.

Commissioner Long: Now, Mr. Burleson came along and raised these rates. You were first ordered to withdraw your application for these raises in rates under a statement which the Postmaster General saw fit to let the press publish, that he was going to lower the rates, and, low and behold, he came back and raised the long distance rates a great deal more than you were asking for, and then

raised that Abbeville rate to $3.25 *to $3.25* instead to the $3.00 which you had asked for. Now, you come along, and you ask that that same telephone, which you previously asked to be raised to $3.00 and which was raised to $3.25, be now raised to $4.05 a month.

Mr. Hoxsey: That is correct.

Commissioner Long: Can that be taken as a fair example of the way you propose to raise rates throughout the State, with the exception of Shreveport, which you did not raise, I understand?

Mr. Hoxsey: That is somewhat higher than the average raise in the State but not materially so.

Commissioner Long: Well, we will knock off three per cent in order to be fair about the matter.

Mr. Hoxsey: That would about make it, I think.

Commissioner Long: All right then. According to the applications which we have here, and according to the figures which you have submitted here, your wages and your costs in October 1918 were at a time later on it was during an abnormal period, nevertheless. Now, I am going to hand you this document which I will mark "Long's Exhibit One" and I ask you to read this and make any comments that you see fit to make on it.

Mr. Hoxsey: Now, sir, endeavoring to answer the various questions set forth, and as best I can, and with the request that you call my attention to anything that I may overlook: I will first
813 say that the order of the Postmaster General applying to rates was effective in May 1919, or some seven months after the date of the application. In the meantime there had been a very considerable further increase in telephone expenses, and events proved that the increases we had asked for was not sufficient.

Commissioner Long: Well, they took them over on July 31, 1918. Now, your man had available the figures of July 31, 1918, from which he made a statement sixty-four days later and filed it with the Commission.

Mr. Hoxsey: Yes, sir.

Commissioner Long: That was the time during which there had been some elevation in prices?

Mr. Hoxsey: Well, at that time, I had no recollection of this matter or of this petition at all, but restricting myself to the date of the petition, the Postmaster General did not at that time, October 4, 1918, nor immediately subsequent thereto, put in any increased rates. It was not until the following May that the increase in rates was put into effect; and in the interval between October 1918 and May 1919, there had been very appreciable increases in telephone costs; and since they were put into effect, apart from the fact that they were not enough when they were put in, there has been further appreciable increases in telephone costs. Going back now to the tax matter. I am satisfied that,—I cannot help but be satisfied,—that if you were to ask the Tax Commission or any member of it, they would advise you that it has always been our policy to give them the exact facts on the cost of our property at any time that we were reporting on it for the purpose of taxation. Personally, I

believe very strongly that the earnings of a property constitute a fair basis upon which to determine its value for taxation. I believe that the investment made in a property is the largese single factor to be considered in determining rates. I do not think that the two values are necessarily the same; but the question of the differences between the assessment as found, and the actual cost of our property
814 as of the assessment date, is only one of judgment of the members of the Tax Commission to the extent that they may have been influenced by any argument which I may have placed before them. I will say this also, that in relation to book cost of the property and in relation to the amount of taxes paid to gross revenue the Cumberland Telephone and Telegraph Company is the highest of any Bell Telephone Company in the United States, and Louisiana is the highest state in the Cumberland Territory or district. I believe that we are paying a larger proportionate taxation in Louisiana than any other large property owner in the state, and it has been my constant and unsuccessful endeavor to convince the Tax Commission of that fact.

Mr. Chipley: Now, Mr. Hoxsey, when you appeared before the tax board did you always tell them the exact cost of the property?

Mr. Hoxsey: I did. They have always had full information before them.

Mr. Chipley: And at any time that you put any returns before them in which you based it on some basis other than the actual cost itself, such as earning capacity, which at that particular time showed a less figure than the actual cost, you at the same time told them what the actual cost was, did you not?

Mr. Hoxsey: The cost figure was always before them, yes, sir.

Commissioner Long: You turned in your property as this list shows,—what you thought you should turn it in for and then told them at the same time what the earnings were.

Mr. Hoxsey: Yes, sir. Now, have I answered all of your questions, Mr. Long?

Commissioner Long: I think so.

Mr. Chipley: Now, proceed, Mr. Hoxsey.

Commissioner Long: Well, wait, just one minute. I want this record in case 2185, Cumberland Telephone & Telegraph Company, ex parte, in re Readjustment of telephone rates in Louisiana, put in the record in this case.

815 Mr. Chipley: Now, go ahead, Mr. Hoxsey:

Mr. Hoxsey: Now, still dealing with Exhibit No. 9, the total gross revenue in Louisiana was $4,325,413.58. The total expenses for the same year were $3,661,612.51, leaving a net revenue of $663,801.07, which was 5.92 per cent on the average investment. Turning now to the detailed statement of exchanges, we show in the first column the average exchange lines and equipment, that is an actual figure, including the property within and without municipal limits, but serving as part of an exchange system, although part of practically every exchange is actually without municipal area. It is manifestly impossible to draw a line five or ten or fifteen miles

around any exchange and say "this toll property is for the use of this exchange," for the reason that each exchanges uses part of all of the toll property with the State. However, since the basis of rates is the same throughout the State, the revenue derived measures exactly the use made of the property as a whole; and the whole toll investment is the State, which is known, is prorated to the various exchanges in the proportions which the toll revenue credited to each exchange bears to the total toll revenue of the state. The furniture and fixtures is actual. The working capital I have explained. Tools, teams and vehicles is actual, and the total average investment is shown. Exchange revenue is what its name implies, consisting of subscribers' station revenue, pay station revenue, service revenues and three or four miscellaneous items. Toll revenue constitutes the entire business, interstate and intrastate, originating at points in Louisiana. It is more than originates at any one particular exchange. Around each of our exchanges there — a number of hamlets, cross road stores, summer camps, etc., which — know- as toll tributary points, which are simply toll stations and nothing more. All of that revenue is credited to the exchange with which that tributary toll station may be connected, although they may be twenty or twenty-five miles out. Then, there is a certain toll
816 revenue within the state which does not specifically pertain to any particular exchange; some it may originate at a connecting company's exchange—some little connecting company. Some of it is for leased wires. Some — it is for attachment rentals on our poles. Other people put attachments on our poles and use our toll plant in that way, and pay for it. All of that general toll revenue is apportioned to the different exchanges in the state in the proportion which the actual toll revenue originating at each bears to the total revenue of the state. The miscellaneous revenue, as I explained this morning, is small revenue as a rule accruing on odds and ends of service. Then we show the gross revenue in detail, and expenses and finally the net revenue and the percentage of net revenue as indicated for each exchange to the total investment at that exchange. If you wanted to know the real true earnings of any exchange—as I say, this is more for purpose of comparison and for the purpose of effecting economy in our own administration—but if you wanted to know the real true earnings of each exchange you would have to make a calculation like this—this diagram was made for Selma, Alabama, but it will serve equally as well for any other exchange because it is not drawn to scale, unlike the other diagrams which were referred to this morning. This diagram shows Selma and shows each exchange in Alabama with which it does business. Now, of the Selma exchange there is a certain proportion represented by this pie shaped segement here, which is used for other exchanges. Now, to find the true earnings of that town you would have to take from Selma a corresponding proportion of its net earnings and divide it among those other exchanges. The middle flat segements here represent the proportion of each of those exchanges utilized in serving the Selma subscribers, and that propor-

tion should be taken out of the investment and the earnings of each of those exchanges and added to Selma. We have not gone to that calculation because it would *to* amount to *of* comparatively
817 little value after it was done. The business is a state wide business, and these earnings, as I have said, are merely indicative. There are real differences between exchanges, but the variation is by no means as wide as the percentages shown in the last column upon this statement indicates.

Mr. Chipley: Now, take up some specific point, say Gueydan, that shows that the exchange revenue is $1,437.00.

Mr. Hoxsey: Yes, sir.

Mr. Chipley: And it shows that the exchange expense is $4,163.00.

Mr. Hoxsey: Yes, sir total expense—exchange and toll.

Mr. Chipley: It also shows that the toll revenue credited to Gueydan are $4,225.00.

Mr. Hoxsey: Yes, sir.

Mr. Chipley: The toll being several times greater than the exchange revenue credited to that point.

Mr. Hoxsey: That is true. I am not familiar with that particular town but very probably a great deal of that may come from saw mills or other industries lying quite a little distance from the town itself.

Mr. Chipley: So you are not making net 11.58 per cent at that point?

Mr. Hoxsey: Well, at the very small exchanges you cannot get any close idea, anyway. For instance, here is a total investment at Gueydan of $13,000.00. Now, suppose you added one man at $65.00 a month and that would reduce that percentage from 11.58 to about four and a half per cent and it would amount — seven per cent upon the investment. A difference of one-half a man, more or less, affects the percentages of the smaller exchanges very materially.

Mr. Chipley: Now, turn to the last page and take up Shreveport. I find there that the exchange revenue is $191,236.00.

Mr. Hoxsey: That is correct.

Mr. Chipley: And the toll revenue is $203,380.00.

Mr. Hoxsey: Yes, sir, it is larger than the exchange revenue.

Mr. Chipley: That is at Shreveport?

818 Mr. Hoxsey: Yes, that is correct.

Mr. Chipley: Now, your total expenses *if* $316,629.00, or in excess of the total exchange revenue?

Mr. Hoxsey: Very materially in excess.

Mr. Chipley: And that is the case at every point on this statement.

Mr. Hoxsey: Yes, sir, in all cases the total expense is in excess of the exchange revenue.

Mr. Chipley: So that the apparent earning of eight per cent in the last column is not the earning of Shreveport?

Mr. Hoxsey: No, sir, it is the earning of Shreveport's use of the property throughout the state.

Mr. Chipley: Based upon the property in Shreveport, of course?

Mr. Hoxsey: Yes, sir, including, of course, the property in Shreveport.

Mr. Chipley: Now, take New Orleans, the exchange at New Orleans is $1,746,483.00?

Mr. Hoxsey: That is correct.

Mr. Chipley: And the toll revenue is $421,906.00.

Mr. Hoxsey: Yes, sir.

Mr. Chipley: The expenses being $1,907,945.85 showing an apparent net earning at New Orleans of 5.20 per cent.

Mr. Hoxsey: Yes, sir.

Mr. Chipley: Again, it is true, is it not, that that is not earned in New Orleans, but in New Orleans plus such parts of the toll circuit and such part of all other exchanges to which New Orleans has talked during the Year?

Mr. Hoxsey: That is correct.

Mr. Chipley: The revenue for which is credited to New Orleans?

Mr. Hoxsey: That is correct.

Mr. Chipley: Now, you have stated that if we had been operating at a level of expense that we are now operating at instead of earning 5.92 per cent in the State we would have earned only 4.04 per cent?

Mr. Hoxsey: Yes, that is right.

819 Mr. Chipley: Now, the investment at this time and since the first day of August, 1920, is $11,808,974.00 or more?

Mr. Hoxsey: Yes, sir, the investment at the end of that period was nearly six hundred thousand dollars in excess of the average investment for the period.

Mr. Chipley: So to find what we were earning for any period of time after July 31, 1920, our minimum figure, to get the average investment is $11,608,974.00, or nearly six hundred thousand dollars in excess of the mean or the average investment of the year upon which we did figure this?

Mr. Hoxsey: Yes, sir.

Mr. Chipley: Now, Mr. Hoxsey, can you show in any other way, a little more clearly, the effect of these toll earnings upon these exchange earnings,—the apparent net result.

Mr. Hoxsey: We cannot separate the exchange and toll net revenue, the one from the other, yet we do know that those exchanges that have the largest proportion of toll revenue are the most profitable upon the face. As for instance, as in this exhibit I have here, I show that the percentage of gross toll to the total revenue for the State of Louisiana for the year under private control was 35.1 per cent. I have a list of exchanges at which earnings of eight per cent or over are indicated by Exhibit 9, which I have just discussed, and I find that at those exchanges the average percentage of toll revenue to total revenue is 52.4 per cent as against 35.1 per cent for the state as a whole, and at the exchanges which earn less than eight per cent the percentage of toll revenue to total revenue is only 29.7 per cent. In other words, all that that shows is illustrative of the fact that the exchanges with the large toll revenue, those that use the greatest proportion of the property throughout the state,—make

upon this complication here a larger and better showing than those which have comparatively small use of the toll facilities, as,
820 it is, of course, proper that they should. They had to get advantage of the large volume of service and pay a larger profit for that larger volume of service.

Mr. Chipley: Now, upon what principle have you prepared the rate schedule which you are asking this Commission to approve in this hearing? First let me ask you this. You are not asking for any change or any increase in toll rates?

Mr. Hoxsey: We are not asking for any change in the toll rates at all.

Mr. Chipley: Only in exchange rates?

Mr. Hoxsey: That is all.

Mr. Chipley: The toll are, so to speak, are from port to port?

Mr. Hoxsey: That is correct.

Mr. Chipley: And effected or concerned in this hearing?

Mr. Hoxsey: That is correct.

Mr. Chipley: Now, upon what principle have you prepared the schedule of rates which you are asking the approval of the Commission of in this hearing?

Mr. Hoxsey: I proceeded first upon the theory that, which as a financial man I thought and think is a fair and necessary and proper one, that *to* company should earn ten per cent upon its property for reasons which I will explain in a leter exhibit, in order to keep its securities at par and to induce new money to be put in the business, which is necessary, as I see it, for the protection of the public. I found when I did that that it would necessitate an increase in the exchange rates of thirry two per cent. We would have to put more than that on in some instances because we find that there — certain classes of rates where, all the way through, they are less profitable than others, and as for as possible, and within the limit of the value of the service, should be equalized. That would necessitate, I would say, an increase of, as high as forty per cent at some exchanges. In my opinion some of those rates were
821 not commercially possible. In the first place, for your service to sell, rates have got to be something less than the value of the service to the user. If the telephone user cannot make a profit in money, comfort or convenience, he is not going to buy the service. We have the plant established and we cannot take it up and move it and it would be unprofitable for use to put these indicated services at rates t-at were higher than the value of the service to the user. So I then proceeded upon a reasonable equalization of rates at the various groups upon this principle: That the schedule as a whole for the State of Louisiana should yield no more than a fair return above the cost of giving service. It makes no difference how low a rate might be, there is a limit beyond which it is inimical to public policy to permit a public service corporation to earn, and the schedule as a whole should not allow more than a reasonable return above the cost of doing business. On the other hand, when it comes to a schedule or a charge for a particular class of service at a particular point, there manifestly, cost cannot be the

controlling figure. In the first place, you don't know it and there is no way of telling it; in the second place it is fluctuating,—widely fluctuating from year to year and often from month to month and the value of the service to the subscriber, the relative value of the service, within certain limitations, must be the guiding principle in determining the proper individual rate. Manifestly a schedule which only produces a reasonable return, whatever it may be, decided to be, above the cost for the property as a whole, which is within the value of the service to be used, and which is without discrimination between classes of service and communities, must be a fair achedule. You can, of course, make more than one schedule which will produce the same financial tesult, but with a telephone experience extending over a period of twenty eight years I have tried to divide the burden as fairly and as equitably as I could recognizing these two limitations, upward and downward.

822 For no class of service at any point can we make a rate so high that it does not leave the user a margin or profit; otherwise the service will not sell. For no class of service at any point can we make a rate which rate will be permanently less that the out of pocket expense of doing business; first, because it would impose a burden upon other subscribers, and second, because it would lead to an unsound economic development of the business. People would take telephones woh would have no real use for them. Within those limits I have proceeded to line up these rates with regard to the balue of the service to the individual user and to the individual rate.

Mr. Chipley: What you have sought to do is to produce a schedule or to affect a schedule which will produce aggregate gross revenue in a sufficient amount to allow the company a fair return over and and above the cost of rendering the service and at the same time have each specific charge to the individual user as low as possible and without discrimination between individuals and communities?

Mr. Hoxsey: That is it exactly.

Mr. Chipley: Proceed Mr. Hoxsey.

Mr. Hoxsey: I will file with the Commission a scale of rates and charges which we have prayed for. This Hoxsey's Exhibit No. 11-a.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit No. 11-A.")

Mr. Hoxsey: In order to avoid a very lengthy discussion of the program in detail, all of which has been sent out to the various cities and interests, I have compiled an exhibit here showing what we call a table of uniform rates. There are certain charges in general telephone practices which are the same or upon the same basis at all exchanges irrespective of the rate for other classes of service at such exchanges. Among those are rates for extension sets. We are asking to raise the rate for extension sets flat rate business service, from one dollar to one dollar and fifty cents.

Commissioner Long: I would like to understand that a little more clearly, Mr. Hoxsey, I don't know just what you want to raise.

823 Mr. Hoxsey: At all exhanges in Louisiana the company has, as I have said, a table of uniform rates, irrespective of

what the exchange rates may be,—whether it be New Orleans or some little town out in the interior, and among the various thin-s for which a flat or a uniform rate is charged throughout the State is extension sets. We want to raise the rates for extension sets for business telephones from $1.00 to $1.50.

Commissioner Long: You mean where a man has one telephone and wants two, you want to charge him $1.50 instead of $1.00?

Mr. Hoxsey: Yes, sir, and for message rate business it is now $1.00 also, and we wish to raise it the same as the other, or to $1.50. Message rate businesss is business on which we charge so much per message over a certain minimum number. For flat rate residence extension sets we wish to raise from $1.00 to $1.25 and for extension sets at message rate resident telephones we wish to leave them at one dollar. Now, there are two kinds of private brance exchange systems. One is known as the switchboard system and the other is known as key switching equipment. Speaking now of the swotchboard system we want to raise the rate per station, the commercial flat rate from $1.00 to $1.25 per month, the commercial message rate per station to remain $1.00 as now. We proceed to raise the hotel message rate except in New Orleans from fifty to seventy five cents; the hotel message rate, except in New Orleans, where the hotel owns and maintains the wiring, and where we do it ourselves, we wish to leave the same as it is now, fifty cents and 33⅓ cents respectively.

Chairman Taylor: I would like a little more explanation on that commercial message rate,—the hotel message rate,—you want to raise it from fifty to seventy five cents?

Mr. Hoxsey: Yes, sir, per telephone station per month.

Chairman Taylor: That is the hotels?

Mr. Hoxsey: Yes, sir, for hotel systems.

Mr. Chipley: You mean in the rooms at the hotels?

Mr. Hoxsey: Yes, sir.

824 Chairman Taylor: That is where you own the telephones,—the rate is fifty cents?

Mr. Hoxsey: Yes, sir, some to the hotels they have saved us the expense of wiring it themselves. They own and maintain their own wiring and in that way save us a considerable expense, and such hotels get a lower rate than those who do not.

Chairman Taylor: It is 33⅓ cents against *ffity* cents?

Mr. Hoxsey: Yes, sir.

Mr. Barrow: What is the hotel message rate?

Mr. Hoxsey: It is now fifty cents.

Mr. Barrow: But I mean what do you mean by that?

Mr. Hoxsey: Where a guest in a hotel has the privilege of talking from his room to another room in a hotel or to the clerk without a charge; but when talking beyond the hotel he pays a rate which is charged on his hotel bill of five cents, I think, or ten cents. We are not asking any additional rate for message, but we are asking that the hotel raise its guarantee from fifty cents to seventy five cents per station per month.

Mr. Barrow: The revenues from those calls go to the hotel and the hotel pays you a guarantee or a certain percentage?

Mr. Hoxsey: Yes, sir, a certain percentage of the messages over and above the guarantee. Now, for the key switching equipment, for the master station, we wish to raise from $2.00 to $2.25 for additional stations, flat rate,——

Chairman Taylor: What is a master station?

Mr. Hoxsey: Well, it is key tricking equipment. In other words it does not require an operator. There is a master station and when a call comes in the call can be switched to any of the other departments on the board. If I remember rightly it is confined to ten stations or less,—the maximum capacity is ten stations. It is a small private branch exchange set. Now, the master station is a more complicated piece of apparatus than the individual station and has always borne a higher rate. We want to raise that twenty-five cents, and additional stations fifty cents. It is seldom in use by hotels; it is mostly in commercial houses and in residences, and but few homes have it. The master stations at the message rate we wish to leave $2.00 as they are now, and additional station at the message rate, to raise from $1.25 to $1.50. For private branch exchange trunks, except in New Orleans, the present flat rate for we call two, way trunks,—messages in either direction,—is one and one-half times the individual line business flat rate. We want to leave that proportion the same, but it is listed here for the reason that as we are asking for increases in the business flat rate it will make a corresponding and proportionate increase in those trunk charges of one and one-half times the business flat rate. For one-way trunk it is now three-fourths of the individual line business flat rate, and we wish to leave the proportion the same, which, of the other rates are raised, will increase these proportionately. For the message rate two-way trunk the rate is now the individual line business message rate and we wish to leave it the same. There is no change there. For private branch exchange trunks in New Orleans we now have a flat two-way trunk rate of $15.00. We wish to leave that unchanged, and the one-way flat trunk of $71.50 we wish to leave that unchanged and the message rate two-way trunk the same as the business message rate for individual line, and we wish to leave that the same. Now, tur-ing the second page, private branch exchange switchboards,—they involve a great variety of changes and any discussion of them in detail would consume a great deal of time. It id fully set forth upon the diagram filed with the Commission at the first hearing; but it can be said in a general way, without a great deal of discussion, that the average increase propoese- in those switchboard charges is thirty two per cent.

Chairman Taylor: For all of them?

Mr. Hoxsey: For all of them, yes, sir, thirty two per cent. These private branch exchange switchboards are used by large consumers of telephone service, such as big department stores, having switchboards with perhaps one hundred or two hundred telephones. They have been paying us certain rates, so much for ringing current; so much for the board; so much for this and that and other services in connection with it, all of which is shown in the papers on file with the Commission. Now, we are asking those

rates to be increased by different amounts. I can read the details if it is desired, but the average effect is to increase them 32 per cent to large users. There is no home in this country that I know of that has a private branch switchboard.

Mr. Viosca: Do you know whether it is 32 per cent in New Orleans?

Mr. Hoxsey: I don't know whether it is 32 per cent considered by itself in New Orleans. I know of no reason why it should not be the same, because I think the basis has been the same throughout the State. Now for farmers' exchange trunk—by which I mean this: Farmers sometimes own little exchanges out in the country to which they are connected perhaps fifty or sixty telephones; and if we have a toll or other pole route going through there, we will, if desired by these farmers, and if we have room on the route for it, string a circuit between our office, or rather, between the city limits or the exchange limits, or through the exchange limits, connecting his switchboard with our existing pole route. We have in the past charged for that service twice the one-party business line rate with a minimum of $6.00 per month. It should be understood that that $6.00 per month is divided by perhaps fifty or sixty or seventy or as many as one hundred people,—as many as may be connected with the farmers' exchange. It is not all paid by one individual. We are asking that it should continue at twice the one party line business rate, but that the minimum should be $9.00 instead of $6.00. For farmers' exchange mileage we are asking for an increase from twenty one cents per month to forty two cents
827 per month. For farmers' line stations the rate is now one-sixth of the line guarantee. This line guarantee is not less than $3.00, nor less than the one-party business rate. We are asking that it still remain at one-sixty of the line guarantee and that the line guarantee should be not less that the one-party business rate, but that the minimum should be raised $4.50. It is now $3.00. Excluding the clas-es of service enumerated in the foregoing table of uniform rates, it is proposed to increase subscribers' station revenues which constitutes by far the largest proportion of the exchange service revenue, by the percentages shown in the third column of the following table. The percentages of increase applied to the total exchange revenue excluding the uniform rate services above enumerated, gives a close approximation to the percentages of increase to total exchange revenue shown in the last column of the table. This table, being merely illustrative, shows for brevity only the special line schedule. I will now file with the Commission my Exhibit No. 12.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit No. 12.")

Mr. Hoxsey: Now, these are for the major clas-es of service. Where the rates are $8.00 for business and $4.00 for residence, we are asking for a rate of $10.00 and $5.00, which is an average increase in rates of 21.7 per cent, but since the subscribers' station

revenue to which this applied is only 91.51 per cent of the total exchange revenue, the percentage of increase in total exchange revenue is only 19.83 p-r cent, or 91.51 of the 21.7.

Mr. Chipley: Now, right there, that applies only to New Orleans, does it not?

Mr. Hoxsey: That applies only to New Orleans, yes, sir.

Mr. Chipley: And this is the only increase that has been suggested or made effective in New Orleans?

Mr. Hoxsey: There was no increase under the Postmaster
828 General's order, or subsequently, in New Orleans.

Mr. Chipley: So that if this rate schedule is granted the total net increase in New Orleans will be the figure that you have just read?

Mr. Hoxsey: In exchange rates that is correct, yes, sir.

Mr. Chipley: 21.7 per cent?

Mr. Hoxsey: Yes, sir.

Mr. Viosca: Why should it not be 25% if it is increased from $8.00 to $10.00.

Mr. Hoxsey: If you will notice, that column is the average of the whole schedule. In other words it takes into account two-party rates and four-party rates and all of that. Now, at the next size exchange, which by the way, includes only Shreveport, the present rates are $5.00 and $2.00. We are asking for an increase or 29.6 per cent in those rates, on the average, to $6.25 and $3.00. That will be considerably less than any other exchange of that size that we have. Shreveport, I may explain, is up against the very limit of its present equipment. We are proposing, as soon as certain matters can be worked out with the city, to spend a very large *of* sum of money in Shreveport and this — gradually improve and increase the service.

Commissioner Long: And among those things to be worked out is the question of franchise, isn't it?

Mr. Chipley: No, sir.

Commissioner Long: Well, what must be worked out with the city, then?

Mr. Hoxsey: I don't know, sir, that is in the hands of the legal department. I have had nothing to do with it. The rates ar other cities of like size as Shreveport, are $6.90 and $3.60 as against $6.25 and $3.00 as we are asking for in Shreveport. We do not desire to ask the full measure of rates at Shreveport at this time because Shreveport is not getting and connot get until this new work is done, adequate service. We are not asking for any rates to be approved
until the new work is done, because we cannot tell now what
829 the situation will be at that time. In that sense, you may say that these are temporary rates we are asking for at Shreveport.

Mr. Chipley: There was no increase in the exchange rates at Shreveport then?

Mr. Hoxsey: No, sir, noen by the Postmaster General or none subsequently. This is the first increase in a great many years at Shreveport. Now, for the next size exchange, which now have rates of $4.00 and $2.50 we are asking for a flat increase of twenty five

per cent in all classes of service. For thosw which now have rates of $4.50 and $2.25 we are asking for flat increasse of twenty-five per cent. For those which have rates of $3.50 and $2.00 we are asking for a flat increase of twenty-five per cent. For those which have rates of $3.25 and $2.00 we are asking for a flat increase of twenty-five per cent. For those which have rates of $3.00 and $2.00 we are asking for a flat increase of twenty per cent. For those which have rates of $2.75 and $1.65 we are asking for rates of $3.25 and $2.00, which will make an average increase of $22.28 per cent.

Mr. Chipley: Now, the rates schedules which have been filed in this proceeding, how do they compare with rates which have been proposed for cities of similar size and conditions throughout the other parts of the territory in which the Cumberland and the Southern Bell operates?

Mr. Hoxsey: The rates which we are proposing or asking for here, are size for size, and condition for condition, as to magneto or common battery service, are identically the same as we are applying for elsewhere in Cumberland territory. The Cumberland schedules are not the same, although they will produce for the same size exchange the same average revenue ordinarily, as the Southern Bell Exchanges. As I said a while ago there is more than one correct rate schedule, and the large part of the success of a schedule rests upon the subscribers' belief that *that* the schedule is a correct and well balanced one. It has always been customary in the Cumberland terri-
830 tory to have a relatively higher business rate and a relatively lower residence rate than in the Southern Bell territory; and while with the exception of Shreveport, which, as I say, is lower than others of like size and while these rates will, as nearly as can be told, produce the same average revenue per telephone at exchanges of the same size and class, yer the business rate in the Cumberland territory tends to be somewhat higher than the Southern Bell business rate, and the risidence rate somewhat lower than the Southern Bell residence rate.

Mr. Chipley: What is the business rate in New Orleans in the scheduled proposed here?

Mr. Hoxsey: The proposed business rate if $10.00.

Mr. Chipley: What is the business rate in Atlanta?

Mr. Hoxsey: Atlanta has a business rate of $10.50. Now, simply as an indication of what this means to the subscribers on a daily basis, I have here a sheet which is not worth introducing as an exhibit, but it shows this: That at the highest exchange, namely, New Orleans, we are asking for one-party business line service,—and that is the highest rate,—a net rate of 33 1/3 cents per day, which is an increase of 6.6 cents per day over the present rate. At the next highest we are asking for 20.8 cents a day, which is an increase of 4.2 cents per day; at the next two groups we are asking for an increase of 3.7. cents per day, and running on down through the smaller exchanges until we reach the smallest, where we are asking for an increase of 1.7 cents per day. For the two-party service, which is not extended to either New Orleans or Shreveport for operating reasons, the highest rate per day is 16.7 cents and the highest in-

crease is 2.5 cents per day. For residence line, the highest rate proposed is 16.7 cents per day at New Orleans or 3.3 cents per day increase, and the highest residence two-party rate is 13.3 cents per day, also an increase of 3.3 cents per day. That runs down at the very small exchanges to an increase of 1.2 cents per day for one-party residence rate, and to 3/10 of one cent a day for two-party business rates.

Mr. Chipley: Now, what revenue do you estimate these
831 proposed schedules will yield the company?

Mr. Hoxsey: In connection with that I will file my exhibit No. 13.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit No. 13.")

Mr. Hoxsey: We estimate that these schedules will produce a net return upon the investment in Louisiana, upon the actual investment of 8.23 per cent, or a net return upon its estimated reproduction value, less accrued depreciation, equivalent to 5.22 per cent. This exhibit shows here for the same class of service the exchange revenue as taken from the large exhibit, No. 9. We deduct from that the private branch exchange station and switchboard revenue and the mileage, which is included in exchange service revenue, and subscribers' station revenues, and get the remainder, to which we apply the percentage of increase shown in the last column of Exhibit No. 12, getting the amount of the increase at each such class, or each such group of exchanges, then we add to that the increase in the private branch exchange stations and switchboard revenue, as stated by me in detail, the increase in mileage revenue which as here proposed will only effect New Orleans and Shreveport. I may say here that the Postmaster General's Order put in uniform mileage revenue throughout the State excepting New Orleans and Shreveport, where they are less that they are elsewhere. This will sumply being those revenues in New Orleans and Shreveport up to the same level as the other exchanges of the State are now paying. The increase in the farmer's line revenue is shown; the increase in extention set revenue is shown, the total increase asked for being $598,836.00. That is upon the volume of business that we habe been considering. It can scarcely be considered an estimate. It is almost a mathematical computation. Now, the net revenue as shown by my exhibit No. 9 was $663,800.00; and the total net revenue after the net rate increases, if there neither had been nor would be any increase in the expense, would be $1,262,637.00. As shown by Exhibit No.
832 7 and particularly Exhibit No. 6, leading up to it, we would need for that year $86,964.00 additional revenue to bring it up to the estimated level of expense for 1921. After allowance for very considerable economies, below the level which we have now reached,—as shown by Exhibit No. 8, we want to raise wages $223,910.00. If we get the increases in rates and pay those increased expenses it will increase out net revenue in the State $287,962.00, upon which Federal Income Tax will be $28,796.00, making a total increase in expenses of $229,916.00 as the estimate- earnings for the

year ending July 31, 1920, if the proposed rates had been in effect throughout that year and if there had been in effect the proposed increases in wages. These exhibits are much less of an estimate than if we had pr-jected an estimate into 1921, throughout, because there we would have to estimate the toll revenue. As a matter of fact this includes the largest volume of toll revenue that we have ever had. Our toll revenue for three months this fall is $150,000.00 less than normal. It has fallen off very materially and the actual result for 1921 will not be as good as here shown in my opinion. The question was asked yesterday of Mr. Yundt what the percentages of increased rates if for the State as a whole. The percentage for the State as a whole to total exchange revenue is 21.84 per cent; the percentage total revenue in Louisiana, exchange, toll and miscellaneous, is 13.84 per cent. The resulting net revenue to average investment is estimated to be 8.23 per cent, and to the reproduction cost under present conditions 5.22 per cent.

Mr. Chipley: Now, that reproduction cost or figure is for the bare bones of the property without any allowance for going concern value?

Mr. Hoxsey: That is correct.

Mr. Chipley: Has a telephone company an established business?

Mr. Hoxsey: Yes, sir.

Mr. Chipley: And tha-, the courts have always said, may be included in such a calculation?

833 Mr. Hoxsey: Yes, sir, so I understand.

Mr. Chipley: And that would make the earnings less than five per cent?

Mr. Hoxsey: Yes, sir.

Chairman Taylor: Mr. Hoxsey, what is the total increase you estimate these advance rates would give you in Louisiana?

Mr. Hoxsey: It is $598,830.00 gross increase.

— showing that additional expense, or is it intended that your wage rate will be made retroactive to that date?

Mr. Hoxsey: No, sir it is not intended that they will be retroactive. As I claimed this morning, some of them have been put in; that is $132,000.00 per annum has been put in between July and October, and in an orderly way throughout the year we want to make the remainder of those increases, but in order to aboid the realm of specua*l*tion as much as possible I have related all of these figures to the known year ending July 31, 1920 and used that investment and that volume of business and everything all the way through. As a matter of fact if there was no other change at all it would be somewhat less than this 8.23 per cent which I have shown here for the year 1921, because if our estimates are correct our average investment per station will go up about $3.50 in the year 1921,—that is, beyond the end of this year, and perhaps fo*ru* or five dollars over the average of the year we are considering, so if we have just the same revenue and $5.00 per station was the additional investment, which would amount to over $350,000.00, why, that would tend to reduce that percentage, but everything is related back to that year because it avoids speculation as much as possible.

Commissioner Long: This may not be the proper place for this question, but I would like to ask it anyway: You say that our telephone rates will be something in this State like they are in other states under like conditions. Are applications being made to other states of the Union for telephone increases?

834 Mr. Hoxsey: Yes, sir.

Commissioner Long: Practically all of the other forty eight states?

Mr. Hoxsey: I was speaking on our territory. All that I can speak authoritatively on is the Cumberland and Southern Bell territory, but as a matter of fact applications have been recently filed in a very great number of states outside of our territory. I don't know how many however.

Commissioner Long: I had understood that this state was no exception and that applications were being made to practically all of the other states.

Mr. Hoxsey: As to the state in which the Cumberland and the Southern Bell operate I know that to be true.

Commissioner Long: Practically all of the states of the Union?

Mr. Hoxsey: From the information I have seen in the public press I would say that that is true. Generally speaking I would say that that is a fact, but whether it has been done or is being done in every individual state or not I really do not know.

Commissioner Long: For the sake of the argument we can suppose, I suppose, that it is true generally.

Mr. Hoxsey: I would say that it is.

Commissioner Long: Now, do you know what rate of dividends the American Telephone and Telegraph Company guarantees to its stockholders?

Mr. Hoxsey: None.

Commissioner Long: What dividend have they been paying?

Mr. Hoxey: They have paid eight per cent for a matter of perhaps fifteen years, prior to which time they paid seven and a half per cent.

Commissioner Long: They are now paying eight per cent?

Mr. Hoxsey: Yes, they are now paying eight per cent.

Chairman Taylor: Will you be able to show in your testimony how — stations you have within Louisiana?

Mr. Hoxsey: I can tell you sir. It is in this large exhibit.

835 The average number of company owned stations for the year we have been discussing was 62,373 in Louisiana. The number at the end of the year was 66,308,—that is as of July 31st.

Chairman Taylor: About one-half of those are in New Orleans?

Mr. Hoxsey: I should say that pretty close to one-half,—33,000 yes, sir, just about one-half.

Mr. Chipley: Now, you- exhibit No. 14, which is the details of the rate schedules, has already been filed with the Commission?

Mr. Hoxsey: Yes, sir.

Mr. Chipley: I suggest that you file this one also so that they will have another complete copy.

Mr. Hoxey: I thought I had done so. I will file this as my exhibit No. 14.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit No. 14.")

Mr. Hoxsey: Now, this Exhibit No. 14, which was filed when we first appeared before the Commission in this case contains in detail all of the rates, both present and proposed. I have, I believe, discussed every salient point in discussing Exhibits 11 and 12. If the Commission wants any further going over it will be rather lengthy, which I have been trying to avoid, but I will be glad to do so if the Commission wants any further discussion of that exhibit.

Mr. Chipley: Now, will you please compare the increases which we are asking for at this hearing, plus the increases already received, during the past few year-, with the increase of railroads and express companies.

Mr. Hoxsey: That is indicated in my Exhibit No. 15, which I now file.

(The exhibit so offered identified, was thereupon received in evidence and marked Hoxsey's exhibit No. 15.)

Mr. Hoxsey: This exhibit shows the effect of the increases in exchange rares in 1919. The average of such increase, as shown by the last line of this exhibit,—the computations will speak for
836 themselves, *O* was 5.97 per cent; the reason that the percentage was so low was because there was no increase at the two largest exchanges in the State, New Orleans containing practically one-half of the total number of telephones stations in the State and Shreveport which is the second largest exchange in the State, the total increase being 5.97 per cent of the total exchange revenue. Now, coming to your question as to a comparison of the increases in express and railroad rates, O well, I have passed over one exhibit. I will go back for just a minute and comment briefly on my exhibit No. 16, which I now file.

Mr. Hoxsey: My exhibit No. 16 is a corresponding calculation as to the increases in toll rates in 1919. We show the average toll revenue per message for the years 1916, 1917, 1918 and for the eleven months of 1919, during which the new rates were in effect. It will be noted that although there was no change in rates there was an increase per message of 1.6 cents in 1917 as compared with 1916, which means that messages are getting longer both as to time and distance. There is efficiency in that direction. For 1918 the average toll message *wna* still not rate increases involved, was 2.3 cents greater than for the year 1917. For the year 1919, or the eleven months, was 15.4 cents. Now, we have assumed that of that 1.9 cents would have been an increase anyway even if there had been no advance in the toll rates. The way we have done that is simply to average the increases of the two preceding years. We added together the 1.6 cents increase in 1917 and the 2.3 cents in 1918 and divided the sum by two, assuming that one half of *ot* or 1.9 cents would have taken place anyway on the general trend that is observalbe throughout the period, leaving 13.5 cents as the increase due

to the increase in rates,—13.5 cents per message. Now dividing that by the -verzge revenue per message for the year 1918, before this increase went into effect, fives us an average increase in toll rates of 34.26 per cent, which has already gone into effect. I will file my Exhibit No. 17-A.

(The exhibit so offered and identified, was thereupon received in evidence, and marked Hoxsey's exhibit No. 17-A.")

837 Mr. Hoxsey: This is the exhibit which you referred to a few minutes ago, Mr. Chipley, it shows a comparison of the increase in railroad and express rates with the proposed increase in telephone rates in Louisiana. The metho-s of calculation will speak for itself. I was only able to get data and ap-ly it to the Class I Railroads, but they are a very large proportion of the whole, as the Commission knows being the composite percentage of the Commission has granted for intrastate rates and the last increase allowed by the Interstate Commerce Commission on interstate business. I did not know whether the Commission here had granted that, but for the purpose of my comparison here I have assumed that the thirty three and one third per cent increase for western territory and twenty five per cent for southern territory has been granted by this Commission on intrastate business.

Mr. Chipley: Whether this Commission has granted those increases or not would that reflect the increases that have been allowed on interstate movements?

Mr. Hoxsey: Yes, sir, but as to the actual intrastate in Louisiana I did not know as a matter of fact whether the increases were the same as had been authorized by the Interstate Commerce Commission or not. If that has been allowed the total increase in Class A railroads, freight and passenger rates, have been 73.22 per cent since 1917. Now, the next page which I have Marked Hoxsey's Exhibit No. 17-B shows that if the Commission has allowed for intrastate business the last 13½ per cent increase granted by the Interstate Commerce Commission on interstate express business that the total increase in express rates has been 60.12 per cent. The bottom part of the same sheet shows that the present and prospective increases,—those heretofore granted and now applied for,—for the Bell Telephone System in Louisiana, amounts to 30.69 per cent. We are slightly late in asking for our increases but the increases we are asking for as a total figure is less than one-half of that percentage which the railroads have gotten, even if the intrastate rates
838 have not been advanced and approximately *of* one half of what has been allowed the express companies.

Mr. Viosca: Is there anything in there to show the present earnings of the railroad companies, under those advanced rates?

Mr. Hoxsey: I have not any such figures, no, sir.

Mr. Chipley: And nobody else has,—they haven't had time to find out what they are going to do under them.

Mr. H*x*osey: We are coming in at a late time, and perhaps at a p*h*yc-logical*ly* bad time for increases in rates, but we simply want

to show what is the fact,—and the fact is that this company has struggled along and postponed this as long as it possibly could, and further fact is that we are not now asking for as great a total increase in rates in Louisiana as the express companies have had and and as the railroad companies have had in Louisiana if this state has followed the lead of most of the states of the union; and not nearly so much as the street railways companies, gas companies, electric light companies, and other public service corporations have asked for and received.

Commissioner Long: Now, your statement there, don't you think it is a little bit broad when you say that you are late asking for any increases, when you- parent company, when the railroads were losing millions and millions of dollars, continued to pay its eight per cent dividend and accumulated a working capital which increased from ten million to sixty one million dollars in the course of a few years? Do you really think that you are so very late and so very unfortunate, after all?

Mr. Chipley: Are you talking about the American Telephone and Telegraph Company, Mr. Long?

Commissioner Long: That is exactly whom I am talking about.

Mr. Chipley: And what it earns in Louisiana?

Commissioner Long: No, what it earned all over the United States, wherever it does business, because you have given the whole of the railroads' business.

839 Mr. Chipley: No, sir, we did not. We gave only the per cent of advance in the Louisiana rates.

Mr. Hoxsey: The calculation shows for itself, but I was trying to narrow it down to Louisiana. Now in connection with the working capital of the American Telephone and Telegraph Company, I would like to call this to your attention: it is provided not out of earnings to any great extent, but by the sale of new securities, bonds, stocks, and etc., according to the prospective development.

Commissioner Long: Well, their stock is still quoted at around par to-day, in these bad days, on the New York Exchange.

Mr. Hoxsey: That is true.

Commissioner Long: So it is not a watered stock at least?

Mr. Hoxsey: It is not a watered stock, no, sir.

Chairman Taylor: The point that Mr. Long is trying to make, I presume, is that while the railroads have been granted heavy increases, at the same time they have been losing money,—showing large defic-ts,—while your company has been operating continuously and always had a profit, even if it was small at the time. Even last year you earned 5.59 on your investment, and I want to tell you there is many a railroad in this country that did not earn that much.

Mr. Hoxsey: I think, if it is not improper for me to say this, that the telephone business has been operated somewhat more efficiently than the railroad business, as a whole, but the fact remains that the earning- in the telephone business have been going down and going down with remarkable rapidity in the past six months.

In the newspapers the statement is made that the New York Telephone Company did not earn its interest charges in September, to say nothing of dividends, and it has always been the largest dividend payer in the Bell System. Now, that company has accumulated some surplus. It could go ahead and pay dividends for a while, taking them out of surplus. The Cumberland Company has paid dividends so far this year, but out of surplus and not out of earnings and it has almost exhausted the surplus in doing so.
840 For a while the American Telephone and Telegraph Company may manage to do the same thing; but unless the Cumberland Company gets the relief that it is asking for, and if we continue these dividends, the surplus will be entirely exhausted in March next year, 1921, and thereafter no dividends can be paid. The earnings are lessening every day.

Mr. Chipley: You stated that this earning that showed 5.59, if we were operating at the cost level during that period that we are operating at at this time, would be four per cent?

Mr. Hoxsey: Yes, sir, that is true.

Mr. Chipley: That is because expenses are increasing?

Mr. Hoxsey: Yes sir.

Mr. Chipley: Now, with regard to Mr. Long's question as to a stockholder of this company, because a stockholder of this company happens to be a solvent company and a profitable company, it seems to be his view that we should not ask for relief in Louisiana. What difference does it make whether a stockholder of the company is rich or poor?

Commissioner Long: Well, Mr. Chipley, if you are asking me that——

Mr. Chipley: I am not asking you that. I am asking the witness.

Mr. Hoxsey: Well, I don't know that I can properly answer the question, except to give you my own view of it, because it is probably a legal proposition; but it seems to me that it goes without saying that no order of this Commission can run against any investor and compel him to put new money into a losing project. That speaks for itself, it seems to me.

Mr. Chipley: I think you saind in a certain part of your testimony that you had a right to earn ten per cent, or that the company should earn ten per cent.

Mr. Hoxsey: Yes, I think so, in the interest of the public and in the interest of efficient service.

Mr. Chipley: Upon what do you base that?

Mr. Hoxsey: Well, in the first place, I have been receiving
841 and I presume everybody else is familiar with it also, large numbers of circulars from bond houses and investment houses, showing offerings of perfectly sound secured evidences of indebtedness, with rates of interest varying from 7.5 per cent to 7.77 per cent and eight per cent. I know of no issues that have been put out, whatever the degree of security, at less than 7.5 per cent to the public, within the last six months, and that means a

higher payment than that by the issuers, because there are commissions to be deducted always for floating such securities,—commissions to bankers and bond houses and other expenses. So, therefore, we could not borrow money and will not be able to do so for any length of time in the future, if conditions remain anywhere like they are now, for less than eight per cent upon a secured loan. Now, manifestly, no wise man is going to borrow money or no wise corporation is going to borrow money merely for the sake of investing it and producing with it a rate of return which is no greater than he has to pay to the man from whom he borrows it. That money must earn something over and above the interest charges as a profit to the man or corporation who borrows it.

Commissioner Long: How much was money demanding three or four years ago on the securities that you offered? Did you have to pay eight per cent then?

Mr. Hoxsey: No.

Commissioner Long: Five or six per cent?

Mr. Hoxsey: No, sir, a few days ago on stock earning of eight per cent it would have kept a stock slightly above par,—earnings of eight per cent with a six per cent dividend. No corporation can for any length of time maintain its credit if it pays out all of its net earnings in dividends. It must put something aside to its surplus. A corporation is just like an individual in that respect it must not spend all that it earns. It has got to put something aside for a rainy day, like the rest of us, or like the rest of us ought to do, anyway. Now, a few years ago this class of corporation,—the public utility,—was in high favor with the investing public, and a six per cent dividend backed by an eight per cent earning
842 would maintain a stock at around par. In the past few years, or in the meantime, the public utility has fallen into disfavor with the investing public. The difficulties of getting rates increased is causing and will cost the public, in a sense, more for its service eventually because the investors are not putting their money in freely into public utilities securities. It may sound a little remarkable if you have not considered it, but it is essential that a stock should be kept above par in order that *nes* issues may be marketed at par. The investor demands some profit on the deal. He demands to buy for $100.00 something that is going to sell for $100.00 or $112.00 on the open market. I have analyzed and have put in statement form, my exhibit 18, a list of stocks, other than preferred and railroad, dealt in on the New York exchange for the week ending September 25, 1920. This gives the closing prices of that date. The prices and earnings as shown here are on the basis of $100.00 per share. There being some $50.00 shares in the list, the price on those is quited at just one-half of the *g*igure here. Now, from Moody's analysis of public utility and industra; investments I took the earnings per share of the same corporations for the year 1919. The first on this list is Famous-Players-Lasky Co. Well, they did not report their earnings so I excluded that from the total. The remaining twenty five, however, averaged $100.37 per share, each of those mind you pay a eight per cent dividend.

During the last year for which their earnings are available to m
1919, the average earnings per share were $15.69, so that they pa
an eight per cent dividend, and added $7.69 on an average to the
surplus. Now, this is only a partial list. This list of prices w
compiled from the New York Times analyist, and so far as m
investigation of it goes it contains every eight per cent industri
and utility stock except the preferred stock, and it shows that
the public mind a stock must pay eight per cent dividend in ord
to maintain its price at par. I have since made some study f
the week ending November 6th, and the average price earn
843 was $97.96. It had gone down since September 25th, a
I do not believe in the case of the telephone industry th
it — necessary nor desireable from the standpoint of the public th
it should be allowed to put aside as much to surplus as that.
makes no difference,—the more you put aside to surplus the bet
for the public, provided you do not put it aside too rapidly; b
they should not be allowed to put aside more than a reasonal
amount for surplus in any one year.

Commissioner Long: I think that exactly myself. I think th
the American Telephone and Telegraph Company being allow
to put aside a surplus of $51,000,000.00 and continue to pay a di
dent of 8% was an imposition on the public.

Mr. Hoxsey: I think you draw an erroneous conclusion from th
figures. That working capital does not in any sense represent s
plus,—it cannot, in the very nature of their business.

Mr. Chipley: Mr. Hoxsey there was some discussion yesterday
to whether or not this company had taken the position that it need
this additional revenue in order to build additional extension a
facilities to take carr of the nine thousand people in Louisiana w
now want telephone service. Does the company intend to use t
increased revenue, if it gets it, for that purpose, and if not, for wh
purpose?

Mr. Hoxsey: It does not. The company has never been able
earn enough in the best of time, and certainly does not expect to ea
that now, to make any appreciable additions to its investment fr
its earnings. It is asking increased earnings for three purpos
one, is for the protection of the investment in its existing propert
the protection of its investors and stockholders; second, it is aski
for increases in order to enable it to make certain increases in wa
to its employees; and, third, it is asking for the increases in ord
that its earnings may be such so as to establish a basis of cre
by virtue of which it can obtain from the investing pub
844 sufficient sums of money to make increases in its investme
in order to serve the public of Louisiana. Thus, your stoc
holders, the employees, and the business public of Louisiana are a
as I see it, directly interested in the proposed increases.

Mr. Chipley: Then the additions and extensions, if built, w
come from new money put into the business.

Mr. Hoxsey: They will come from new money and not out
earnings.

Mr. Chipley: And that new money will only be put into the business provided the company is permitted to operate on rates which will give it an opportunity to earn a fair return on that money?

Mr. Hoxsey: That is correct, yes, sir.

Mr. Chipley: I do not believe that you filed your Exhibit No. 18 in evidence, Mr. Hoxsey.

Mr. Hoxsey: No, I do not believe that I did. I will file it now.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit No. 18.")

Mr. Chipley: I would like to introduce in evidence at this time a number of letters from the bankers of this State, Shreveport, Alexandria, Monroe and practically all of the principal banking points of the state, which say, in effect,—I will not stop to read them,—that they would not purchase out securities or advise their clients to purchase them unless we were earning at least eight per cent,—that money costs at least eight per cent at this time.

Mr. King: I object to that on the ground that it is hearsay testimony.

Mr. Viosca: I make the objection that they are not under oath.

Chairman Taylor: Well, they will go in for what they are worth.

Mr. Barrow: Are they addressed to the Company?

Mr. Chipley: Yes, sir, different members of the company or officers of the company.

Chairman Taylor: Well, evidently you sent your local managers out for the purpose of obtaining these letters because I see one here that is addressed to your company at Shreveport.

Mr. Chipley: Certainly, sir. We asked them what companies of this character had to pay for money at this time and what they would buy our securities for and what earnings they would think a company of this kind should earn before they would undertake to advise their clients to buy such securities. It is the only way in the world that I know of that you can get that kind of testimony.

Mr. Viosca: Did any of these bankers state that they would recommend these securities in their replies to you?

Mr. Chipley: I have no letters that I am sup-ressing, if that is what you are getting at.

Chairman Taylor: Well, I see no objection to the letters going in but I don't think they amount to very much, because the average man cannot borrow money these days if he puts up gold coin as security.

Commissioner Long: We had a little depot case at Shreveport and all of the bankers there came to me and asked me not to press the depot case for the reason, they said, that it would be almost criminal on the part of a public service Commissioner to compell a poor railroad corporation to borrow money at the existing rate of interest and under the existing conditions for the construction of a depot at the present time.

Mr. Chipley: That is our position, sir, exactly and I am very glad that you have put it in the record. I don't want anything better, but the fact remains that owing to our relation with and association with the American Telephone and Telegraph Company if we can earn what the courts say is a minimum amount which we should be allowed to earn in this state we will get the money and we will build these extensions and take care of the people of this State who are asking for telephone service.

Chairman Taylor: Here is a question I want to ask Mr. Hoxsey. If any of these proposed increases go into effect that you are asking for is it your intention to better the present service?

Mr. Hoxsey: Naturally, it is, sir.

846 Chairman Taylor: In what way? I don't mind telling you that the service in this State appears to have deteriorated very materially within the past six months.

Mr. Hoxsey: In two distinct ways.

Chairman Taylor: How?

Mr. Hoxsey: Well, the first, as Mr. Yundt doubtless just have told you, althoufh I was not here, during his testimony——

Mr. Chipley: Well, you tell it.

Mr. Hoxsey: One of the major causes for most of the poor service which is being given at this time is the lack of adequate equipment. It is the greatest single cause,—greater even that the inexperience of the employees, as a factor in rendering poor service. So, by establishing the credit of the company so that during the coming year, when material will move more freely, if you can pay for it, than it has during the past year we can add materially to the equipment and facilities; and, second, through enabling the company to raise wages it will increase the average length of service of the company's employees and keep them from leaving us,—paying the employees who would otherwise leave us; and in both of those ways service will be improved.

Chairman Taylor: Well, what effect is that going to have on the present service, though, where it is not up to standard. In other words all of that is not going to make a telephone girl any quicker, is it?

Mr. Hoxsey: Yes, it will in this way. There is a limit to the capacity of a telephone operator as to the number of calls that she can answer per hour. In a great many of our exchanges, due to the lack of adequate switchboards and facilities we have overloaded those employees. The firls have more calls to answer within an hour than it is physically possible for them to answer correctly and quickly. With money for additional equipment and *and* the equipment itself,—right now it would make no difference if we could get double the number of necessary operators, as it is at present, because

847 an operator must have switchboards in the room to work on. She must have switchboards, and it is that switchboard room that we have not got. Now, when we can put more switchboards in we reduce the number of lines terminating before this operator so that a lighter load will fall upon each of the operators and not having an overload she do- better and more satisfactory work.

Chairman Taylor: Why do you put more switchboards then she can handle? Why do you overload her so that she cannot give good service? Why din't you give her just enough switchboard so that she can handle it and no more.

Mr. Hoxsey: The point is this, sir. We have in normal times spare facilities,—approximately fifteen per cent in switchboard facilities. The number of lines which can be terminated for any one operator varies from one hundred and one hundred and twenty. Now, according to the calling rate or the number of calls which come in an hour we terminate a given number — lines before an operator; that may be forty, fifty, eighty or one hundred. If the load increases we then use some of the surplus facilities in order to take care of the additional business, by adding one position more, or two positions more or whatever may be necessary. A switchboard if flexible to that extent. You add another position and terminate a certain number of lines before that position and put on a new girl; but after you have used up all of your spare facilities and the load still keeps on increasing from existing subscribers,—more calls per station per day,—then there is no way in the world until you get more switchboards to put on additional operators. That is one of the most important things that we have in mind, is the getting of more switchboards and the lightening of the load on the existing or present operators. It would have preserved the service if a long time ago we had refused switchboards equipment, in order that we might provide against an overload, but we have gone ahead
8-8 and tried to serve the public, on the theory that they would rather have some character of service that to have no service at all, and the result is that the average individual operator is overloaded. Now, in regards to cable facilities. If we can get more cable we will have a number of space conductors in our conduit and on our aeriel lines. As it is now with the cables filled to capacity at many places if trouble of any sort develops nothing can be done to remedy that trouble until the trouble itself is actually located and corrected. The cable must be opened and the trouble located and that causes disturbance to other subscribers on that same circuit. Today if we had the necessary cable facilities the first thing we would do when trouble arose on some subscriber's line would be simply to transfer him on to another cable pair and he would scarcely know that he had been in trouble. As I say it is impossible to do that now because we have not those spare cable facilities and it is necessary to remedy the trouble on his own line before anything can be done for him. There are a number of different ways in which added equipment will materially add to the efficiency of the service.

Chairman Taylor: Now, I want to ask you about this exhibit here. For instance we will take Baton Rouge,—Or I will take Lafayette or Thibodaux or Opelousas and a good many of these other stations where you show that you are now earning more than the eight per cent you are here asking for,—net revenue on the investment. Now, do you think it would be fair to those people in Baton Rouge and in Thibodaux and in Lafayette and in all of those other places,

Abbeville, and in Franklin and in a good many of those stations,—do you think it would be fair,—St. Martinville is another one,—do you think it would be fair to increase the rates at those stations by twenty per cent, so as to make those stations bear a heavier burden of percentage in order to bring the rates in the whole state up to some general average? Would that be a fair and equitable distribution of the expense?

849 Mr. Hoxsey: I think so, sir. I think it would be very much more fairer than any other possible basis, and I will tell you why. In the first place, bear in mind that that percentage is merely an indicated or apparent percentage. But assume that after you have worked everything down to the final limit, that, Baton Rouge, we will say, is still earning an additional figure over the average percentage; nevertheless there are exchanges earning less than the average percentage,——

Chairman Taylor: But don't you think it would be fair,—take this little town right in front of me, Colfax, with 14.9 per cent earnings to net investment, and then take Bunkie that pays 51. per cent. Now, there are two exchanges in the same portion of the State, or practically the same portion of the State. Now are you going to put a burden on Colfax that is already paying your company 14.9 per cent on the investment there in order to bring Bunkie, which is only paying 5.1 per cent, up to eight per cent?

Mr. Hoxsey: I think I can make that clear.

Chairman Taylor: Please do so if you can. It looks to me as if it is an unfair proposition on the face of it.

Mr. Hoxsey: I can see how it might very readily, but let us assume for the moment that the total amount of the increase that we have asked for is reasonable that the one question is that of distribution. Now, we are confronted with one of two things. No two telephone exchanges that I have ever known of were operated for any length of time at the same rate of profit, as each other. No one telephone exchange is operated in any two consecutive years at the same rate of profit. Consequently, assuming that the two exchanges which you last named,—which was the most profitable, Mr. Chairman?

Chairman Taylor: Colfax?

Mr. Hoxsey: Oh, yes, Now we must have so much money,—whether we have to have any increase or not,—we have to have so much money with which to run this property and to pay a re-

850 turn upon it. If we make less at Colfax that we are making then we have to make more than we are making at the other point, so that we are confronted between two propositions. We have either got to make a larger return at Colfax that the other point,——

Chairman Taylor: Why should you?

Mr. Hoxsey: Because of the alternative,—or else we have to ask the other exchange, whole service is no more valuable than at Colfax, one dollar or two dollars per month more for the same service that we ask at Colfax. Now the Colfax traffics are not confined — the property in Colfax alone, and it seems to me that it is

comparatively immaterial to the Colfax Subscriber,—he may think it is material, but it is not as a matter of fact,—whether the company makes a large or a small return upon the investment there so long as he gets a profit out of the Use of the telephone, either in money or convenience, at something less that its actual value to him. Now, at Bunkie the service is no more valuable that at Colfax; and you must pursue one of two theories; either make all of the exchanges earn the same percentage, which would mean that you would have to ask rates in some of the exchanges of less than one hundred subscribers which would be higher than you would ask in New Orleans; or you must permit one exchange to make more than another exchange makes. The only question is as to which is the fairer method. It is fairer I believe, since it does affect the subscriber so long as Colfax pays the same rate, that we charge Colfax. If we were to charge Colfax a higher rate than Bunkie for the same size exchange in order to make a larger return, that, I think would be unfair, but so long as we charge only the same rates, the service being substantially the same, and subsrantially as valuable as in one place as in the other, I do not see it as an unfair theory at all. I believe it is better both for the company and more satisfactory to the subscribers that one exchange should be permitted, if such be the case, to earn a larger return than its neighboring exchange is, and thus avoid putting the addi-
851 tional rate on.

Chairman Taylor: How do you account for the difference?

Mr. Hoxsey: I think I can perhaps explain that, Mr. Chairman. Now you will notice,——

Chairman Taylor: Now I see that at Bunkie your exchange revenue was $3,921.58 and at Colfax it was $3,714.55. Now, then, the toll revenues, where you say it bears a heavier per cent, is $9,572.26 at Bunkie and $5,065.63 at Colfax. Now, how do you account for the fact that with a bigger business at Bunkie you only earned 5.01 per cent and at Colfax with a much less business you earned 14.9 per cent?

Mr. Hoxsey: I am, of course, Mr. Chairman, not familiar with the details of all of these individual exchanges,——

Chairman Taylor: I am familiar with both of them, and they are both in the same general territory. I do not see why that great difference should be there.

Mr. Hoxsey: Bunkie has a total investment of $40,000.00, and Colfax has a total investment of $18,000.00. Now, by taking the exchange lines and equipment only, in the first column, Bunkie has considerably over twice the investment that Colfax has, and,——

Chairman Taylor: How many stations have they?

Mr. Hoxsey: I don't know but I can get that information for you in just a moment. They have approximately the same exchange revenue. Now, for reasons with which I am not familiar, the current repairs. The traffic expense at Bunkie is $4,707.00 and the traffic expense at Colfax is $1,439.00. The current repairs at Bunkie are $3,776.00, while at Colfax they are only $1,453.00. Now, I think that perhaps, if I may be permitted to ask Mr. Walthall who

is in the room here, a question I can probable get some information as to those particular exchanges that will clear that situation up. He is thoroughly familiar with both of them and known the local conditions.

Chairman Taylor: Bunkie and Colfax are in the territory where you charge the same rates.

852 Mr. Hoxsey: Yes, sir. May I ask Mr. Walthall with regard to the Bunkie and Colfax situation, Mr. Chairman?

Chairman Taylor: Certainly.

Mr. Hoxsey: Mr. Walthall do you know why the traffic and current repairs should be so much higher at Bunkie than at Colfax.

Mr. Walthall: Bunkie is a junction point for a number of toll lines. They switch tolls there that come from Alexandria and up in that section, down to points such as Lafayette, down on the Southern Pacific Railroad; and they also switch for the lines up through Melville and Simmsport, and they also switch calls comisng down to Baton Rogue and in this section. There are six toll operators,—it is a six position toll board, and probably four of those operators are handling calls that do not concern Bunkie at all. They concern Alexandria, Lafayette, Opelousa, Baton Rouge and a great many other points. In other words it is a switching point.

Chairman Taylor: Do not the same conditions prevail at Colfax?

Mr. Walthall: No, sir.

Mr. Chipley: How many toll operators are there at Colfax?

Mr. Walthall: I think there is only one but I cannot say positively.

Chairman Taylor: How many stations are there at Colfax?

Mr. Hoxsey: One hundred and thirty-eight and at Bunkie there are 163.

Chairman Taylor: There is only a difference of 33 stations then?

Mr. Hoxsey: Yes, sir, but there must also be taken into account at Bunkie the handling of all this through business,—the junction point for handling. There is a large amount of switching business there for people at other exchanges, which must go through Bunkie, and for which Bunkie receives or is credited with no revenue. It probably switches business for Colfax, and for which Colfax gets the credit, though Bunkie must do a part of the work and bear a part of the expense. That is the explanation for the difference in the traffic expenses, and that is the biggest single item.

Chairman Taylor: That is on the toll business. Now there
853 is the exchange revenue, and it is only two hundred dollars more at Bunkie than at Colfax being $3,900.00 as against $3.700.00.

Mr. Chipley: They are getting the same exchange service and paying the same for it, but Bunkie, being a junction point, as a part of the general state wide system, is placed with these higher traffic expenses, but there is no discrimination as far as the exchange service or rates are concerned.

Chairman Taylor: But, just as Bunkie happens to be a station where you handle, so to speak, these messages to and from other points, why should the Colfax subscriber be burdened with an in-

crease of seventy five cents a month in order to raise the revenues at Bunkie to what you think is a fair figure?

Mr. Hoxsey: The point is this, sir: Bunkie is bearing expenses that if there was any way in the world to determine what the proportion should be, should be borne in part by Colfax and in part by Alexandria, and in part by numerous other exchanges throughout the State. As I stated when I filed this exhibit this morning, this is merely an indication, for administrative purposes, of the revenues and expenses incurred at these particular exchanges. It cannot be taken as a measure of true net earnings. As a matter of fact,—though I have no specific figures on it and I don't know how much,—but perhaps five hundred dollars of Bunkie's expense should not be charged to Bunkie at all. We have ot charged to Bunkie because it is at Bunkie that the costs are incurred, but it is perhaps not very far wrong to say that Bunkie should be relieved of five hundred dollars of that cost and it should be charged to Colfax. That would tend to decrease the net earnings at Colfax and to increase them at Bunkie. If there was any method known to telephone accounting by which it could be reasonably done, Bunkie should be relieved of a part of that expense and it should be distributed throughout the other exchanges which make use of the Bunkie facilities, for which Bunkie gets no credit; but there is no such system under which that can be satisfactorily done and that
854 is the reason why, as I say, we have to treat the State at a whole. These last figures are not by any means true indications of the net earnings of the business done at the individual exchanges. They are merely indicative, and the true net earnings will vary widely because of the peculiar corcumstances existing at many of these points.

Mr. Barrow: Mr. Hoxsey, would this be true; that the difference of the percentage of earnings at these various exchanges is due more to a variation in the toll business than to the variation in the exchange business?

Mr. Hoxsey: It would normally be true, sir, and is normally true; but in these particular exchanges, with approximately the same exchange revenue, the unprofitable exchange has a larger toll revenue than the apparently profitable exchange, and the explanation of that, as Mr. Walthall has informed you, is due not only to the greater volume of toll business originating there, but Bunkie also bears a part of the costs of handling toll business originating at other points, because there are operators there who have nothing to do but switch calls for these other points, for which Bunkie gets no revenue, whereas Colfax has no such condition existing as that.

Mr. Barrow: In other words, Bunkie is rather the relay station, in handling through business to and from other points, for which it received no revenue or no credit at all.

Mr. Hoxsey: That is correct, yes, sir. Now, if I can, I would like to ask Mr. Walthall another question. Mr. Walthall do you know what the reason is for the fact that the current repairs at Bunkie are $2,300.00 more than the plant repairs at Colfax the exchanges being substantially of the same size? Do you happen to remember the occasion for that?

Mr. Walthall: No, sir, but I can give you the reason why they should be higher. At Bunkie they have a large number of long distances, while Colfax has none of those that I recall.

Mr. Hoxsey: That is the situation, sir, which we are trying to correct. We have throughout this territory a number of those long country lines. It is an unprofitable and an un-conomic project, at best. The farmers themselves can maintain those lines much more cheaply than we can do it ourselves, and wherever it is possible we are selling such lines at a purely nominal price,—even a dollar for a line several miles in length, and letting the subscriber maintain it himself, and then char-ing him rates for switching service only.

Chairman Taylor: Now, let us take a lood at Gueydan. Gueydan happens to be in a territory that I — th-roughly familiar with. Gueydan is earning 11.58 per cent on the investment. It has an exchange revenue of $1,437.39 and a toll revenue of $4,285.40.

Mr. Hoxsey: Yes, sir.

Chairman Taylor: Now, Gueydan is not a relay station. The relay station is at Crowley for all long distance calls. All the long distance calls go through Crowley. Therefore, the same conditions would not apply at Gueydan as applies at Bunkie.

Mr. Hoxsey: Well, I am not familiar with the local situation there. Perhaps Mr. Walthall can clear that up for you.

Mr. Walthall: Gueydan is too small an exchange to justify *deeping* a man there permanently, and it is maintained by the Crowley man. If there is any plant work to be done at Gueydan or on the lines that are a part of the Gueydan exchange, a man is sent down from Crowley, usually in an automobile, to do it, and he may spend four or five days a month on Gueydan work.

Mr. Hoxsey: Then there is anoth*ing* thing. By reference to the last page of this you will see, if you will make the calculations, that the total toll revenue was 35/1 per cent of the total revenue for the State as a whole; whereas at Gueydan the toll revenue is nearly eight per cent of the total revenue. That is a case of which you spoke a moment ago. It has a very much larger percentage of toll revenue.

Chairman Taylor: Now, then, Gueydan with a large toll revenue, paying 11.58 per cent on the investment that you have there, and the upkeep being only $872.76 do you think it is an equitable proposition to increase the rate at Gueydan Seventy-five cents to each of the telephone subscribers there, in order that some other point in the state may pay eight per cent on the investment at that exchange.

Mr. Hoxsey: I do, yes sir, for this reason: that the bulk of the Gueydan business is toll business. Now, in order that it may get that revenue it has to use portions of these other unprofitable exchanges that are unprofitable, it has the use of their facilities and were it not that those facilities were there, Gueydan could not and would not show the earnings that it does; and it would be proper that a part of those losses at these unprofitable exchanges should be charged against Gueydan if there was any basis on which you

could do it. Unfortunately, there is no mathematical basis that I know of by which you can determine just what proportion that should be, but I have gone far enough into studies of this matter to know that if you take out of each exchange a proportionate part of its investment and net revenue, based upon its toll business with other exchanges, and add to it a proportionate part of its investment and net revenue, based upon its toll business with other exchanges, and add to it a proportionate part of the net revenues or loss on the investment in the exchange with which it does business it tends to strike an approximate average for the state. Of course, there are some real differences between them. I do not mean to say that there would all pay the same flat percentage of earnings, but they tend very much more closely to an approximate level for the whole state.

For instance, in order to look into that, to some extent, I took the City of Shreveport,—I made the actual calculations. I would be glad to go over the calculations with you, but they are somewhat lengthy, and—

Commissioner Long: That is something that I wanted to take up with you. Shreveport is also one of your junction exchanges is it not,—not only for the State of Louisiana, but for Arkansas,
857 Oklahoma, and Texas,—well, at least Arkansas, Texas and Louisiana. Is that not correct, Mr. Walthall?

Mr. Walthall: They do not switch any calls through from Texas to Arkansas unless there is trouble on the lines of the Southwestern Telephone and Telegraph Company. Shreveport is not a switching point on business from Texas to Arkansas or vice versa.

Commissioner Long: But into Louisiana, I mean.

Mr. Walthall: Yes, sir, into Louisiana, they are. It is a large toll center.

Commissioner Long: And you are making eight per cent.

Mr. Hoxsey: The amount if I may observe, is a question of proportion,——

Commissioner Long: I think you are probably right so far as the switching charges are concerned, and I think I understand you, but as you said, if there was any mathematical calculation or system of auditing by which you could figure a certain percentage of the cost which occurs in connection with this heavy toll operating cost in Shreveport, switching for other points, and add that to the cost of doing business at these other points, you would show better results at Shreveport, would you not?

Mr. Hoxsey: That would tend to make Shreveport more profitable, yes, sir, and on the other hand, if you were to charge Shreveport with its percentage of the losses on investment at other points, that would tend to make it less profitable. Now, I have made this calculation and it is quite voluminous, and therefore on that account I have only taken Shreveport with respect to the other exchanges in Louisiana and not to all toll points. There are only about one hundred exchanges in Louisiana, whereas Shreveport did business in the last year with two hundred and fifty four different points in Louisiana and two hundred and eighty-nine points located outside of Louisiana. Now the result of this calculation as to Shreveport

business with other exchanges only would reduce Shreveport from eight per cent to 7.4 per cent. If we carried that calculation
858 down to all of the toll points, it would still further, but from 8 per cent to 7.4 per cent is as far as I have took it. I just wanted to see what the tendencey was and I only applied it to the other exchanges in Louisiana and not to toll points; and it reduced the percentage from 8 per cent to 7.4 per cent.

Mr. Chipley: Mr. Hoxsey, it is in evidence here that there are some nine thousand people in the state of Louisiana without telephones and who want telephones; that the construction program for next year to take care of that, amounts, gross, to over $2,6000,000 dollars, —the cost of additional construction. It is further in evidence that when the 1920 program is completed, there will still be that many unserved people. Now I ask you what effect it will have, or rather, what effect the failure to get tha- relief in the rates in this state that we are asking for will have upon that construction program, and if any orders have been placed, and under what circumstances they will be placed, including in your answer, if you know, any reasons why we should continue to invest money in a state where property is earning less than five per cent?

Mr. Hoxsey: Some orders for material have been placed in connection with the completion of the 1920 work, which it is now known cannot be completed until some time in 1921. Those are positive orders and that material will be utilized and put into effect. We have spent too much money upon the estimate of which it is part not to finish them up and put them into earnings by not spending the rama-nder. Reh-aring the new program for 1921 tentative orders have been placed, subject to cancellation in order to preserve our place upon the schedules and get the material as we need it. That material is of such a nature that it takes a long time to manufacture it,—switchboards, etc. Now, as to that, we cannot get the money for these expenses and that development unless we get the additional rates. It is not a question of whether we wish to or whether we do not wish to. It is not a question of whether we should or
859 should not do it, but I know of no sources from which we can get money to do this work unless we can make a better showing and a better rate of return than we are making now. If we do not get that money it should be borne in mind that not only can we not serve new subscribers but we cannot continue to serve existing subscribers. Our depreciation reserve takes care of the original cost of the old property as we displace it with new, but it is costing us in Louisiana several hundreds thousand dollars a year more than the original cost to replace it. That difference must come out of new capital. It means that money must be obtained from the investing public. Now a certain part of the property in Louisiana is going to play out and cannot be used any longer than the year 1921. It will take additional capital in order to replace that. If we cannot find that a-titional capital it means that those subscribers who have been served by that particular investment will have to be discontinued and go without service. I do not know of any way in which money can be obtained from the investing public, directly or indirectly, at the rates now prevailing in Louisiana.

Mr. Chipley: Now, if the company is given a schedule of rates out of which it can have a reasonable expectation to earn as much as eight per cent on the investment, will it be able to get the necessary money to make these extensions?

Mr. Hoxsey: I have evert assurance that it will.

Commissioner Long: From who?

Mr. Hoxsey: I have the assurance of the American Telephone and Telegraph Company that if we can get a fair rate of return in Louisiana that they will do their best to accom-odate us in the program of construction which we wish to carry through. It is not a definite commitment, even so, for a particular amount of money, but there is no doubt in my own mind that we shall be able to get our actual requirement if these rates are approved.

860 Chairman Taylor: What would be your policy in that connection if the Commission should decide that this was not the proper time to increase rates? What would be your policy then?

Mr. Hoxsey: Our policy would be to conserve our plant as much as possible. To take on, excepting in casses where great public damage would otherwise result, no new subscribers with the existing equipment; and to conserve the exist- equipment for the sake of existing subscribers. As subscribers go out, and ordinarily about three go out for every four that come in, we would have to conserve a part of the facilities thus released and operate with a fewer number — subscribers. In that way we would try to bring up our service. We would take all the money we could get from our own resources and put it into these replacements. It would not be enough to—it would not be enough to more than take care of that, if it did that. We would make every effort that we could to serve the public, but in spite of the very best efforts we would make there would be a large part of the public, including part of the public which is now receiving service, who would receive no service.

Chairman Taylor: Don't you think that the general depression in business that now exists,—that a system of at least holding on to things as they are now, would be a conservative policy and a good policy—like banks and other business institutions who have adopted that policy in the last few months?

Mr. Hoxsey: It is not a question of what we would like to do or wish to do. I feel that with the conditions as they now exist, and will exist, in all probability, at least until next April, it would be absolutely suicidal to the best interests of the state to deprive the public of the great aid which the telephone service is. If there is any time in the history of business, when a man needs good telephone service, and plenty of it, it is in times of business depression.

861 Chairman Taylor: Well, with the very great depression particularly in the staple crops of this country, sugar, rice, cotton, etc., for which there is absolutely no sale,—not even an offer,—don't you think it would be a hardship in the territory where these things are produced to put additional telephone burdens on them at this time,—when they cannot even sell the commodities that they have at any price?

Commissioner Long: Especially in view of the fact that you are making some profit, anyway?

Chairman Taylor: Yes, you are making at least 5.9 on your money, while they aren's making a dollar,—not a cent. They can't sell a dollars worth of the products that are lying on their farms today, rotting on their hands.

Mr. Hoxsey: I feel, Mr. Chairman, that it is most unfortunate that our request should be timed under conditions — are now existing. It is a question for the wisest business judgment as to which is the better for the community and the state as a whole. It is a question of whether the public will suffer, as they will have to suffer, because of conditions which now exist, and certainly they are beyond our control,—and we will do everything in God's world we can to serve them,—it is a question of whether the public should suffer from lack of telephone facilities or whether they should pay mor*thr* those facilities. Now it is to be remembered that crops are not capital,—they are income,—and the crop raiser has lost a part of the year's income. He has not lost his capital; and I believe it is to his interest that he should pay a higher rate, commensurate with the cost of producing the service, and receive service; rather than to continue to pay the rates he is now paying, not sufficient to maintain service and secure a lowered quality of service. I would not have you think that I do not appreciate the human side of it, because I do, to the very fullest, but you have asked me a question broad in its scope and broad in its effect, and I have done my best to answer you honestly and sincerely.

Chairman Taylor: Well, don't you believe, if the present conditions continue for three or six months longer that there will
862 be a heavy cancellation of orders for telephones and that there will be a substantial decrease in exchange and toll business throughout the state.

Mr. Hoxsey: There has not been, with the telephone companies with which I have been connected, a year, with the exception of 1893, in which the exchange service has not grown, so far as I can now remember. There have been years in which the toll business fell off appreciably, and it is now falling off appreciably, and that further impairs our revenues; but in periods of this kind business people stick by the telephone as a facility for minimizing loss. It means, therefore, that the rate of increase will be slowed down. There will be an increase if we can provide the facilities.

Mr. Viosca: Is it not a fact that during the years 1918, 1919 and the year ending July 31, 1920, your company earned a bigger net profit,—that is, in percentage,—in Louisiana, than in any other state in which it operated?

Mr. Hoxsey: That is correct, yes, sir.

Mr. Viosca: And is it not a fact that the net earnings of the,—that the net earnings of the company as a whole,—in all of the states in which it operates, were 4.01% was due to the fact that in Louisiana the company earned 5.09%?

Mr. Hoxsey: That is correct, yes, sir, but at the same time I may state that the fact that Louisiana earned a larger revenue is due,

in part, to this fact: that we have credited to Louisiana all of the originating interstate business. We have not charged to Louisiana any part of the investment in other states. The toll business in Louisiana is far heavier than in any other state in which we do business, and a large part of that 5.29%,—just what part I cannot say with exactness,—is due to earnings on toll business made on lines outside of the state of Louisiana, but not charged to Louisiana.

Mr. Viosca: Now, in this contract that the Cumberland Company has with the American Telephone and Telegraph Company,
863 did I not understand you to say that you have the right to borrow money from that company at less than 6% at any time you saw fit?

Mr. Hoxsey: No, sir, I said that there was a provision in the contract extending to us their aid in financing the Cumberland, but there is no provision in the contract as to any rate of interest at which they obligate themselves to let us have money; nor is their any provision under which they have bound themselves to let us have any specific amount of money. They have let us have larges sums in the past. Just at present the Cumberland Company, under its charter, which limits its indebtedness, has borrowed th the extreme limit permitted under its charter. Therefore, instead of the loans bearing interest for the American Telephone and Telegraph Company that company has agreed to cancel $2,426,600.00, if I remember the figures correctly, of those loans, and take capital stock of the Cumberland Company in liey of the notes. The dividends on that capital stock are absolutely uncertain under present conditions, depending largely on the action of the various commissions with respect to rate advances. The American Telephone and Telegraph Company, in order that the Cumberland Company might not violate its charter, and might have a further borrowing capacity, agreet to that proposition. By its charter the borrowing capacity of the Cumberland Company is limited to 50% in excess of its capital.

Mr. King: Does the Cumberland Company, the Southern Bell Company and the American Telephone and Telegraph Company make a combined internal revenue report?

Mr. Hoxsey: I do not know. That is handled by our auditing department; but I am of the impression that they do, but I am not quite certain.

Chairman Taylor: Well, gentlemen, it is getting late, and we will adjourn this hearing until 9 o'clock tomorrow morning.

Mr. Ochs: Mr. Chairman, I have got to get back to New Orleans to-night and I would like to put in my testimony this evening if you will let me do it. It won't take me but about five minutes. I will say what I have got to say in a hurry and then you can go, but I would sure like to have my say this evening.

864 Chairman Taylor: Well, if it won't take you over five minutes we will hear you.

Mr. Ochs: Thank you. Gentlemen, the Travelers' Protective Association is objecting to the raise in these rates on account of the poor service we are now getting. We feel satisfied from our ex-

perience as traveling salesmen and as business men that money does not always make efficiency. That was proven in the past, during this war; when we *apid* unprecedented wages for labor. In fact, that is a cause of a great deal of unrest now; because we paid inexperiences people high wages and did not get the work out of them, and you all know what it was to get labor. It is the dollars and cents they are looking for and they don't care whether they give you anything in return or not. Now, the only service that you can ever get out of this telephone company is when you ring up you don't get any satisfaction. You get a lot of back talk and sass and "I will give you the supervisor", and when you get the supervisor you don't get nothing else then. When your telephone rings half the time it ain't for you and you get "Excuse me, please." That is two things they do better than any thing else I know of. We also object to this increase on the ground that since this war the public utilities have all found out that they were broke. Here is a corporation that has been in existence for thirty years, and made lots of money and then—the war comes on and they come to you and tell you they are broke—like the railroad companies,—they got broke during the war. Now, I find it very funny that the Cumberland telephone Company is spending a whole lot of money advertising. It seems to me that that money they are spending on advertising outht to be spend for telephones, when people need them, when they tell you themselves, when they,—come along and tell you that they have nine thousand applications that they can't fill; and still they come out in the newspapers and on the bill boards and other places, asking people to put in telephones. Now, about this 8% business that's all rot. These are abnormal times; but these big corporations don't pay nothing like that for money. They don't pay no 8%. They borrow money at 3% and 4% and 5%. I see it in today's paper that call money in New York is 6% and 7% and that shows that money is coming down. Now, they talk about being hard up and all that kind of business. I want to say that I am connected with a corporation in the City of New Orleans that has assets of $378,000.00 and liabilities of $60,000.00. We wanted to borrow $5,000; and the bank told us that we couldn't get a cent with a crow bar; and the only thing that saved us was a foreign creditor came along and threw us into a receiver's hands. Now, that goes to show *that* you that this here proposition—these letters that they put in evidence *form* the bankers,—they aren't worth powder to blow them to hell. You can't borrow any money today because things are abnormal. It don't make any difference whether it is the Cumberland Telephone Company or the Union Brewing Company or Louis Ocsh, or somebody else. Now, I am going into business myself next year; and I went to my bank the other day,—and the president of that bank has always told me whenever I needed anything, to come to him for it,—and I went to him the other day with forty thousand dollars of Liberty bonds that I bought during the war because I couldn't put a gun on my shoulder or go out on one of those war boats, but I bought those bonds until I got sick, and

I am so dam-ed sorry now I don't know what to do—I got forty thousand dollars' worth of Liberty Bonds and they ain't worth a dam- and I want to say——

Chairman Taylor: Mr. Ochs, you will have to discontinue the use of profanity when you are addressing the Commission. We will not stand for it at all.

Mr. Ochs: Excuse me, Mr. Taylor, but I get so mad I just can't help it. I just want to show that these letters they filed here from these bankers don't amount to anything at all.

Chairman Taylor: Well, that is purely argument, Mr. Ochs. If you have any evidence to put in the record we will be glad to hear it, but the Commission doesn't want to hear the case argued at this time.

Mr. Ochs: Well, then, that is all I have got to say.

866 Chairman Taylor: We will adjourn until tomorrow morning at half past eight.

(Whereupon, at 5:30 p. m., December 16, 1920, the hearing in the above numbered and entitled matter was continued to December 17, 1920, at 8:30 a. m.)

867 Baton Rouge, Louisiana, December 17, 1920.

Chairman Taylor: Well, gentlemen, let us proceed with the hearing and try to expedite it as much as possible.

Commissioner Long: Mr. Chipley, I thought I understood you to say yesterday evening, after the hearing, that you had concluded your examination in chief.

Mr. Chipley: Yes, sir, I am through.

Commissioner Long: Mr. Hoxsey, in the territory in which the Cumberland Company operates, that is, four and a quarter states,—how many independent telephone lines are, there, if you know, in addition to the Cumberland?

Mr. Hoxsey: The Cumberland Company connected in that territory on October 31, with 953 different telephone companies, within that territory, operating 666 central offices, and having 14,649 miles of toll w-re, with 99,902 telephone stations.

Commissioner Long: Perhaps you did not understand the question. Those are the Cumberland wires, aren't they?

Mr. Hoxsey: No, sir, those are independent lines, over which the Cumberland Company has no control, but with which it connects in its territory.

Commissioner Long: Do you furnish at any of those independent exchanges the right or privilege of connecting with you for toll service?

Mr. Hoxsey: Yes, sir, we connect with all of the 953 companies and the 666 exchanges that I mentioned. There are other exchanges,—competing exchanges,—with which we do not connect. I am unable to state at the *money* how many of those there are now—situation of the State of Louisiana confers upon this Commission jurisdiction over the service and operations of telephone com-

panies, and the only body that can make a law, or rule or
868 order with a view of compelling you to do that is this commission.

Mr. Chipley: Well, Mr. Commissioner, that is opening up a subject that can cover a lot of ground in its discussion. There has been a good deal of litigation over it and a number of decisions have been handed down on it in some of the states.

Commissioner Long: Now, Mr. Hoxsey, in towns like Shreveport, I understood you to say yesterday, that in the event this commission did not grant you the increases you asked for that you would be compelled to adopt a course of retrenchment,—that, is, to conserve your plant, I understood you to say?

Mr. Hoxsey: Yes, sir.

Commissioner Long: In that event, don't you think that in as much as there is a telephone exchange in the city of Shreveport operating at lower rates than you are operating at, and, I might say, to-day, furnishing quicker connections and better service to its subscribers, on an average, than your company is, that it would be a good plan for the Cumberland Company to allow those parties long distance connections with your lines of some kind so as to serve those people that you are not connected up with and unable to reach under present conditions?

Mr. Hoxsey: I think it would be a mighty fine plan for the other company, but I don't think that it would be good for anyone else.

Mr. Chipley: You are giving them that connection now, as already outlined by you?

Mr. Hoxsey: Oh, yes, sir, but I thought that Mr. Long meant a full connection.

Commissioner Long: The reason I *d*uggested that is because I do not look upon the other company as Shreveport, at the present time, in the true sense of the word, as competitors of yours, because you cannot now supply the demands for telephone in Shreveport; and if you do not get these increases you are going to do less than you are doing now, so you say.

869 Mr. Hoxsey: In view of all that, Mr. Commissioner, I suggest that it would be very much simpler to allow the increased rates.

Commissioner Long: Yes, I suppose you would look at it from that standpoint.

Mr. Barrow: Mr. Hoxsey, in making your budger for 1921,—have you already made your budget for 1921, provided the question of increases was not involved?

Mr. Hoxsey: Yes, sir, we made a budget to be carried out in case the increases are granted.

Mr. Barrow: Yes, sir, but what I meant is this: That you have certain work that you have to do on your existing property, without additions, to take care of your present business, which, of course, will have to be carried on. I suppose you have budgeted that, and in addition, no doubt you have made plans for the expenditure of money which you would borrow and put into the property in case the present rates were advanced.

Mr. Hoxsey: Yes, sir, that is correct.

Mr. Barrow: In other words, there are two propositions: One to carry on the business like it is today and the other, to enlarge the business, to meet the demands of the public?

Mr. Hoxsey: Well, as a matter of fact, they are intertwined, because as a matter of actual practice, in rebuilding or replacing plant it is generally an economy, in a business growing as a telephone business is all the time, while the gang is at work in any particular city, to put in more plant than that which is displaced or taken out, and, therefore, to a very large extent, the whole thing is made up as one budget. Our budget has been prepared upon the assumption that all of these rate increases would be granted, and prepared as one budget. We have as yet made no detailed study to see what we can do and what we will be compelled to do in the way of replacement if this advance is not secured. As a matter of fact we will postpone some replacement.

870 Mr. Barrow: I believe you have already testified about the intercorporate relations between the Cumberland, the Southern Bell and the American Telephone and Telegraph Companies. I want to ask you if it is your opinion that the 4.5% which you pay to the American Telephone and Telegraph Company out of your gross earnings which you pay to them, in return for which your company receives certain services from *ehtm*,—I want to ask you if it is your opinion that that is a cheaper way of securing those services than performing them yourself?

Mr. Hoxsey: Unquestionably so.

Mr. Barrow: For the reason, I believe you stated, that there were some services which you could not furnish to yourself?

Mr. Hoxsey: Yes, sir, there are some of the services which they furnish us, which it would be practically impossible for us to furnish to ourselves, within reasonable limitations.

Mr. Barrow: Is that due to the fact that your company would not have enough business to justify the expenditure of the amount of money required to carry on a department of that sort?

Mr. Hoxsey: Yes; as an operating company we naturally are concerned with operations. We have got pretty good apparatus and pretty good methods. The tendency of the management, in spite of your desire to pregress, would be not to take any chances or not to jeopardize much money in experimental work along new lines, but rather to develop that which we already had. The second thing is the enormous investment in apparatus and in salaries for the highly trained men required for this class of work.

Mr. Barrow: Now, Mr. Hoxsey, I would like to have this clearly in the record; is it true that the company does not intend to use any of the revenues which it will obtain from the increased rates for the building of new property, or for the projects as you 871 have outlined them to the Commission and as Mr. Yundt outlined them; or is it true that the capital to be placed in such additions, improvements and betterments is to come from borrowed money, which is in no way connected with the increases asked for,

except as the increased rates, if granted, may make it possible for you to borrow such money?

Mr. Hoxsey: The latter is true. Naturally, if we earn more than a reasonable dividend rate, that excess or surplus would be available for, and would be used in the property, but, as an actual matter of fact, we will barely maintain our dividend rate even under the increases; and there will be no such excess or surplus or if there is, it will be negligible,—less than ten thousand dollars a year, as I figure it, for the company as a whole. Therefore, all of the improvements and additions are to come either from borrowed money or from the sale of additional capital stock.

Chairman Taylor: Mr. Hoxsey, you have gone thoroughly into the Cumberland Company with regard to its relations with the Southern Bell Company and the A. T. & T. Company. Now, is there any other amount paid by your company to any other corporation other than what you have stated here?

Mr. Hoxsey: Only for services rendered. For instance, we have things like this: at certain points we have attachments on the lines of the Postal Telegraph Company, for our long distance circuits; at other places we have similar attachments on the lines of the Western Union Company, and also with other smaller companies, but with the exception of the disbursements which I have already discussed there are no payments except the ordinary market price for rentals, or for pole space; or perhaps, we might somewhere rent from some electric light company a duct in a conduit, if they have any. There are no other charges beyond that, except of course, the ordinary cost of running the business.

Mr. Barrow: Would the case that you have just mentioned be parallel to that of the N. O. T. & M. Railway Company using the track of the Y. & M. V. Railroad between Baton Rouge and
872 New Orleans and paying for the use of that track? In other words, the conditions under which you use the facilities and property of other companies are very much on the order of one railroad being a tenant on another line?

Mr. Hoxsey: Yes, sir, for ijstance a part of our toll circuits are on the poles owned and maintained by the Western Union Company, with which we have no other relations at all. We pay a rental for the occupancy of that sp1ace on those p1oes.

Chairman Taylor: The Southern Bell Company, what territory does it operate in?

Mr. Hoxsey: North Carolina, South Carolina, Georgia, Florida and Alabama.

Chairman Taylor: It is a subsidiary of the A. T. & T. Company, just like the Cumberland?

Mr. Hoxsey: It is a direct subsidiary of the A. T. & T. Company, yes, sir.

Chairman Taylor: And the Cumberland is a subsidiary of the Southern Bell?

Mr. Hoxsey: That is correct?

Chairman Taylor: Does the Cumberland Company pay anything at all to the Southern Bell Company?

Mr. Hoxsey: Only in this way: the two companies have common officers. I for instance, am first vice president of both of those companies. My salary is divided between the Southern Bell Company and the Cumberland Company in the proportion of telephones of each company. It so happens that it is almost equally divided.

Chairman Taylor: They both operate about the same number of stations?

Mr. Hoxsey: Yes sir.

Chairman Taylor: And, outside of the 4.5% which the Cumberland pays to the American Telephone and Telegraph Company, there is no other interest on bonds or any other payment
873 which you make to any other corporation which would become a charge on the Cumberland Company?

Mr. Hoxsey: Well, when you speak of interest charges,—our bonds are widely distributed, and, of course, we must pay the interest, to whoever holds them.

Chairman Taylor: I mean, of course, outside of the regular charges of that sort. I understood you paid interest on your bonds of course. It also, of course, pays dividends on its stock which is held by the Southern Bell Cmpany.

Chairman Taylor: But it doesn't pay dividends to anybody else except the Southern Bell Company?

Mr. Hoxsey: Only the Southern Bell and the three individual stockholders other than the Southern Bell that I spoke of, who own 14 shares of stock; and they pay dividesnds on that, of course.

Chairman Taylor: What dividend did they pay last year,—have you been able to pay 6% up to this time?

Mr. Hoxsey: They have fallen short $498,000.00 of earning it this year, and paid it out of surplus.

Chairman Taylor: How much surplus have you on hand now?

Mr. Hoxsey: $642,843.00.

Chairman Taylor: That is the entire surplus of the Cumberland Company at this time?

Mr. Hoxsey: Yes, sir.

Mr. Barrow: Was I correct in getting this impression from what you *siad*: That during the period of Federal control the property did not earn its guarantee and that the government had to make up the deficit between the earnings and the guarantee?

Mr. Hoxsey: Yes, that is correct.

Mr. Barrow: Do you remember what deficit the government had to make good?

Mr. Hoxsey: My impression is that the amount was about $487,000.00.

Chairman Taylor: You *siad* something yesterday about
874 the rates at New Orleans and Shreveport not having been increased during government control. Do you know why that was?

Mr. Hoxsey: Yes, sir, with regard to New Orleans it was due to the fact that at that time New Orleans, after making all due allowances for interrelationship throughout the state was a fairly profitable exchange; and in additio*j* to that it already had the highest

rate of any point in the combined Cumberland and Southern Bell territories. The rates at other points, like Atlanta, were raised substantially to the New Orleans rates but were not raised beyond it. Under the circumstances it did not seem fair to pick New Orleans out and give it a higher rate, when it was already earning a fair rate of return on the investment, and what we really did was to put the other places on a par-ty with it. That was the reason as regards New Orleans. As to Shreveport the reason was totally different. We had entered into a contract with the Shreveport Home Telephone Company operating at that point, to buy their property, subject to the approval of the Postmaster General and the Attorney General, and subject to certain rates which were to become effective. At that time, as the contract was originally written,—it was this Commission but later the Postmaster General, who was to approve certain rates before the consolidation became effective. The contract also provided that the consol-ation should have the approval of the city authorities. The city authorities had previously granted that approval but subsequently they referred the matter to a referendum which disposed of it. Now, the postmaster General had approved it. The Attorney General had not approved it. As the whole matter was in progress at that time we expect to bring the contract to a successful consum-ation, and put the rates at the time of the consolidation. We asked the Postmaster General not to interfere and raise the rates at that time because we felt that it would perhaps interfere with the successful consum-ation of the contract which we desired to carry through. For that reason we let the opportunity pass; and then the contract was killed, and so we were without any increase in Shreveport. In other words, the New Orleans
875 rates were high enough under the then existing conditions; and the Shreveport rates were not high enough under the then existing conditions, but I have explained the reasons why Shreveport was left without an increase in its rates.

Chairman Taylor: Any further questions for this witness Have you any further questions for Mr. Hoxsey, Mr. Chipley?

Mr Chipley: No, sir.

Chairman Taylor: That will be all, Mr. Hoxsey. Call your next witness, Mr. Chipley.

Mr. Chipley: I have no other witnesses, Mr. Chairman. That is our case.

Chairman Taylor: Very well, we will hear the protestants next.

Witness excused.

876 Mr. J. R. DRACKETT was called as a witness, and, having been first duly sworn, testified as follows:

Chairman Taylor: You may state who you represent, Mr. Drackett and your views with regard to this case.

Mr. Drackett: I am here representing the people of Morgan City and we object to any raise in the rates of the Cumberland Telephone Company at all; and we hope that your honorable body will refuse

to grant them the increase. We haven't got any service there at all, we have very had service there, in fact; and we think it is very improper and not right at this time, under the conditions existing and everything, to grant them this raise. That is all I have to say about it.

Chairman Taylor: What is the character of your service there.

A. It is very, very bad.

Chairman Taylor: Well, what is bad about it—what is it due to?

Mr. Drackett: Well, it is due to everything. When they got that 20% raise last year they agree to give us better service; but after they got the raise the service got worse. Now, about that little instance that passed between you and Mr. Hoxsey yesterday about the charges at Bunkie and Colfax. Now, I run a ferry at Morgan City and I cross those line men working for the telephone company all the time, with their automobile—when they are going to do work at Patterson and those other points; and every week they ask me to sign the receipts for that money; and on those receipts they designate where that work is for. It is not charged to Morgan City when they are working at Patterson. Now, that shows you that they charge it to the exchange where they do the work all right.

Mr. Hoxsey: Mr. Chairman, May I be permitted to clear up the record on that point? I think there has been a little misunderstanding there.

Chairman Taylor: Certainly.

Mr. Hoxsey: Now, with regard to a line man being sent from some exchange to some other exchange or some other point:

877 I think there is a little misunderstanding as to what Mr. Walthall said. If such a line man is sent his time and expenses are charged to the exchange to which he is sent; but the expense at which he is located has to bear the expense of his quarters and his room which he occupies, and rent, light and heat; and also the expense of his idle time. Every line man is waiting for orders during a part of the time; and, consequently, the exchange at which he is located bear- a heavier charge—a heavier relative charge—than the one to which he may be sent. The gentleman is correct in stating that every effort is made to charge to the exchange to which he is sent the cost of fetting there and back, and his time during the period he is there.

Witness excused.

878 Mr. V. J. KURZWEG was called as a witness, and, having been first duly sworn, testified as follows:

Mr. Barrow: Mr. Kurzweg, you represent the town of Plaquemine, Louisiana, and the Louisiana Wholesale Grocers Association?

Mr. Kurzweg: Yes, sir.

Chairman Taylor: Go ahead, Mr. Kurzweg.

Mr. Barrow: I suggest that Mr. Kurzweg, since he has given this matter some thought, state his name, residence and present business; and I will try to help him to get started.

Mr. Kurzweg: V. J. Kurzweg, Secretary-Treasurer, Consolidated Companies of Plaquemine, Louisiana, which company owns fourteen wholesale houses in Louisiana. I do all of the buying and handle generally the affairs of our companies.

Mr. Barrow: What is the nature of the business?

Mr. Kurzweg: Wholesale groceries, exclusively.

Mr. Barrow: That includes, generally, what commodities?

Mr. Kurzweg: Well, everything in the grocery line.

Mr. Barrow: Flour, packing hou- products, etc.?

Mr. Kurzweg: Yes, sir, canned goods, fruits, vegetables, grain, feed stuffs.

Mr. Barrow: Well, those are all articles that enter into the cost of living?

Mr. Kurzweg: Yes, I imagine the biggest percentage.

Mr. Barrow: Now, does the house, or the houses, that you represent handle any materials used in construction work? Well, we handle nails; and we have constructed recently several frame buildings in which we used considerable pine.

Mr. Barrow: Are those things that are bought and sold by your concerns?

Mr. Kurzweg: No, sir, but we buy lumber for our own purposes.

Mr. Barrow: Well, suppose you proceed in your own way and tell us what your information is with respect to the price tendencies of commodities with which you are familiar.

879 Mr. Kurzweg: Well, as illustrative of that, I have an invoice here from the American Sugar Refining Company, dated January 5, 1920, showing the basic cost of granulated sugar as being 22.5 cents per pound—that is June 5—not January—my records or references here all refer to 1920—the first six months period and the second six months period. I have here an invoice from the Myrtle Grove Planting & Manufacturing Co., of Plaquemine, dated December 15, 1920, selling us granulated sugar at $7.75 per hundred. I have here an invoice from the Morgan Packing Company of Austin, Indiana, date October 26, covering a purchase of tomatoes that was made in the spring, based on the cost of labor and material at that time, showing a price of $1.30 per dozen for two pound cans. I have another bill, dated November 27, 1920, from Robert Cresy, Bedford, Virginia, showing that I purchased standard tomatoes at 67/5 cents, as against $1.30.

Commissioner Long: Those tomatoes are put in a manufactured tin can, are they not?

Mr. Kurzweg: Yes, sir.

Commissioner Long: And shipped in a manufactured crate or box?

Mr. Kurzweg: Yes, sir.

Commissioner Long: And shipped by freight?

Mr. Kurzweg: Yes, sir.

Mr. Barrow: Are these prices f. o. b. Plaquemine or shipping point?

Mr. Kurzweg: The sugar from the American Sugar Refining Company was f. o. b. New Orleans; and the Myrtle Grove sugar was

delivered at my house, or our building, on which we paid 19 cents per barrel drayage.

Mr. Barrow: It was delivered by truck, and not by railroad?

Mr. Kurzweg: No, sir, not by railroad. The tomatoes were both f. o. b. factory.

Mr. Barrow: You haven't anything to show what they cost you delivered?

Mr. Kurzweg: I could give you the approximate freight rates. I have some delivered prices here, however. I have an invoice from the Scobell Bean Company, dated July 25, choice hand
880 picked means, $8.10 per 100 delivered. I have another invoice dated December 2, from Kimball's Mercantile Company, Chicago, on another car of a similar grade of beans, at $4.95. I have a quotation attached to those papers showing that the market has further declined to a price on December 6 of $4.89, less 1%. I have an invoice here from the American Hominy Company, Indianapolis, Indiana, dated May 17, 1919, on coarse grits of $3.90. I have an invoice from the same concern dated November 18, *1929*, showing coarse grits of the same grade and same size package at $2.25. Those are delivered prices. I am also attaching a confirmation from Y. S. Dahlberg Brokerage Company, showing that on November 24 I bought 1,000 barrels of the same grade grits at $2.00. These are delivered prices, I am attaching an invoice from Y. S. Dahlberg Brokerage Company dated March 22, 1920, on 100 sacks of Australian brown onions at 6.52½ cents f. o. b. Baton Rouge. I am attaching an invoice dated November 2 from Loring, Illinois, on November 2, from A. D. Hewes & Company, showing that we bought 250 sacks of Red Club onions at $1.65 per 100 delivered.

Mr. Barrow: What was the other price?

Mr. Kurzweg: The first price was $6.25 delivered; and the last price is $1.65 delivered. I am attaching an invoice from J. Aaron & Company, New Orleans, dated March 15, 1920 for 250 bags of 3's to 7's, Rio coffee, at $18.25 cents f. o. b. New Orleans; also a contract dated December 15, 1920 from Pinto & Company, Rio Janeiro, Brazil, on 250 bags of 3's to 7's coffee, of identically the same grade as from Aaron & Company, at 6.75 cents per pound, as against 18 cents. I am attaching an invoice from Cunningham Commission Company dated Feb. 2, 1920, showing No. 3 corn at 1.76 per bushel. I am attaching an invoice from the same concern, dated November 30, 1920, on the same commodity at 95 cents per bushel. I am attaching an invoice from Albert Miller & Company, Chicago, dated March 31, 1920, on a carload of potatoes at $6.40 per 100. I am attaching an invoice from the same concern, dated December 8, 1920, on the same grade of potatoes $2.10 per 100 delivered at Plaquemine. I am attaching an invoice from Louisiana
881 State Rice Milling Company of New Orleans dated January 12, 1920, on 250 Bags Blue Rose Rice at 12 cents per pound. Another invoice from K. A. Conrad Rice Mill, New Iberia, Louisiana, December 4, 1920, on the same grade of rice, at 4.5 cents per pound. I am attaching an invoice from Halliday Mill & Elevator Co., Cairo, Illinois, dated May 24, on No. 3 white oats at $1.28 per

bushel; and another invoice from the same concern, dated November 24, on the same grade of oats, at 59.5 cents. Now, as illustrating the situation regarding nails: On November 19 a car of nails was shipped us by the Gulf Steel Company, of Birmingham. They cost us a base price of $5.17 per keg, delivered. On December 6, these nails declined as per their quotation, to a base of $3.75; on December 13 there was a further reduction of 50 cents; reducing it to $3.25.

Chairman Taylor: Any questions for this witness Mr. Chipley?
Mr. Chipley: None.
Chairman Taylor: Any other protestants to be heard.
(No response).
Chairman Taylor: Well, that concludes the testimony gentlemen. The Commission will take the case under advisement.

(Whereupon, at 12:00 m., December 17, 1920, the hearing in the above numbered and entitled matter was closed.)

Witness excused.

882 *Proceedings Before Railroad Commission of Louisiana.*

Filed June 23, 1922.

Baton Rouge Division.

Before the Railroad Commission of Louisiana.

No. 3052.

CUMBERLAND TELEPHONE & TELEGRAPH COMPANY. Ex Parte.

In re Readjustment of Telephone Rates.

Heard February 24, 25, 26, 1921.

Stenographer's Minutes.

L. F. Sherer, Stenographer.

883 *Proceedings.*

Chairman Taylor: Gentlemen, the Commission has reopened this case, No. 3052, Cumberland Telephone and Telegraph Company, ex parte, in re exchange telephone rates, for the purpose of giving to the city of New Orleans and anybody else that desires it, an opportunity to file such additional evidence as they may see fit controverting or contradicting the testimony of the Cumberland Telephone and Telegraph Company, heard in December, 1920. It is really in the nature of rebuttal, as the company has concluded its evidence.

Have you any further evidence to offer before we proceed with the city's testimony, Mr. Chipley?

Mr. Chipley: No, sir.

Chairman Taylor: You may proceed then, Mr. Kittredge.

The motion of Mr. Ivy G. Kittredge, counsel for the municipality of New Orleans for a continuance of thirty days, after argument thereon, was overruled by the Commission and the case ordered proceeded with, to which ruling of the Commission counsel for the municipality of New Orleans excepts and reserves this note in lieu of a formal bill of exception.

Chairman Taylor: Proceed, Mr. Kittredge.

Mr. Kittredge: I would like to have Mr. Yundt recalled for further cross examination.

Mr. GEORGE J. YUNDT was recalled for further cross-examination, and, having been previously sworn, testified as follows:

Mr. Kittredge: Mr. Yundt, will you please refer to your Exhibit 3?

Mr. Yundt: I have it, yes sir.

Mr. Kittredge: You show in this Exhibit that your 1920
884 construction program was estimated to cost $1,369,127.00. Will you give us the detailed figures which go to make up that amount, please?

Mr. Yundt: No, I cannot. That is, I do not have them here. That is the total, however, of the projects which were to be carried out; and at the time of the last hearing we found that we had expended just about $1,400,000.00 of that amount.

Mr. Kittredge: Can you and will you furnish the Commission with a statement showing how you made up that total?

Mr. Yundt: Well, it was simply a list of all of the work that had been done during the year. We had spent that money in the various cities in Louisiana, and we still had a month's work to do. It is, therefore, simply a statement of what was spent on that program.

Mr. Kittredge: Well, you can show the unit prices, if you have already spent the money, can't you?

Mr. Yundt: Why, the property account in the state will show just what was spent and what it was spent for, yes.

Mr. Kittredge: Well, what did you spend for 7,300 poles?

Mr. Yundt: I don't know.

Mr. Kittredge: What did you spend for 18,000 cross arms?

Mr. Yundt: I don't know.

Mr. Kittredge: For 470,000 pounds of bare copper wire?

Mr. Yundt: I don't know that.

Mr. Kittredge: For 90,000 pounds of galvanized iron wire?

Mr. Yundt: I don't know that.

Mr. Kittredge: For 6,000,000 feet of insulated station wire?

Mr. Yundt: I don't know that.

Mr. Kittredge: For 21,000,000 conductor feet of cable?

Mr. Yundt: I don't know that.

Mr. Kittredge: For 85 switch board positions?

Mr. Yundt: I don't know what they cost.

Mr. Kittredge: For 8,500 subscribers' instruments?

Mr. Yundt: I don't know what they cost. Those are all particular items of material which were employed in providing telephone facilities in Louisiana. In addition to the cost of those items, of course, was the cost of labor, freight, hauling, the cost of preparing the situation for the receipt and erection of those materials, and the total resulting cost was about $1,500,000.00. As to the exact detailed figures of each particular class of material I am not in position to give you that information.

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Mr. Kittredge: What did you pay for 75,000 desk stands.

Mr. Yundt: We did not buy 75,000 desk stands.

Mr. Kittredge: I see; it is 7,500 desk stands?

Mr. Yundt: I don't know that.

Mr. Kittredge: Doesn't the American Telephone and Telegraph Company supply your subscribers' instruments and desk stands under your contract with that company?

Mr. Yundt: No, it does not. It provides the transmitter, the receiver and the induction coil. The desk stand itself belongs to us.

Mr. Kittredge: Then it did supply the 8,500 subscribers' instruments?

Mr. Yundt: It provided instruments for 8,500 stations; and they are not included in our property account. We simply place them on the subscribers' stations or on our desk stands or on the switch boards; and only the costs of mounting them was ours.

Mr. Kittredge: Then why did you include them in the cost in your Exhibit 3?

Mr. Yundt: I did not.

Mr. Kittredge: Why did you put them in there?

Mr. Yundt: They are not in there. Those are subscribers' instruments and not telephone instruments. We know them as telephone instruments, of course,—that is the transmitter and the receiver, but they are not included. Those 8,500 instruments there are wall sets or boxes, such as that black box you see there or the desk stand. This particular instrument known as a transmitter and this particular instrument, known as a receiver, are telephone instruments, technically, in the telephone business, and they are the property of the American Telephone and Telegraph Company. All the rest of the app-ratus there is our property, with the exception of the induction coil and the transmission apparatus and the receiving apparatus, which is the part of the instrument through which speech is transmitted and electric waves re-translated into speech,—that portion of the instrument is the property of the American Telephone and Telegraph Company.

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Mr. Kittredge: You call them subscribers' instruments, do you?

Mr. Yundt: They might properly be called subscribers' station apparatus.

Mr. Kittredge: Take this desk telephone here, for illustration; as I understand it, the parts of that instrument which belong to the A. T. & T. Company are the two pieces here,—the piece which you put your mouth to when talking, and the piece that you put to your ear?

Mr. Yundt: Yes, and the induction coil.

Mr. Kittredge: But they are the only parts of the instrument supplied to you by the A. T. & T. Company,—is that right?

Mr. Yundt: No, it is not the only property supplied to us because they supply some parts of telephone repeaters; and there may be some special devices used for tests which are provided by them, but the main portion of the property supplied to us by the A. T. & T. Company is comprised by those three items that I have referred to,—the transmitter, receiver and induction coil.

Mr. Kittredge: But in this desk telephone here that portion of the instrument that you place your hand on when you pick it up, that belongs to your company, as I understand it?

Mr. Yundt: Yes, the metal desk stand,—that and the box.

Mr. Kittredge: The box?

Mr. Yundt: Yes, and the cord connecting them.

Mr. Kittredge: Are the parts of the telephone instrument
887 that you rent from the A. T. & T. Company now covered by patents?

Mr. Yundt: Yes, Sir.

Mr. Kittredge: Didn't you say in your testimony in the previous hearing that the patents had expired on those parts?

Mr. Yundt: I don't think so.

Mr. Kittredge: Is that induction coil covered by patents now alive?

Mr. Yundt: Yes, so I am told. There have been improvements in induction coils, always tending to make it a better piece of apparatus; and I am told that there are recent patents on the induction coils.

Mr. Kittredge: Do you know that of your own knowledge?

Mr. Yundt: No.

Mr. Kittredge: Do you know that the patent is still alive on that portion of the desk stand that you pick up and put to your ear?

Mr. Yundt: The fundamental patents on a telephone receiver and the fundamental patents on a telephone transmitter, I know, have expired; but they are very important patents which make for improvement in manufacturing and improvement in transmitting and receiving qualities, which are still alive, and which are held by the A. T. & T. Company, I am told.

Mr. Kittredge: Do you know that of your own knowledge?

Mr Yundt: No.

Mr. Kittredge: Do you know what parts of the telephone apparatus that you rent from the A. T. & T. Company are covered by those patents today?

Mr. Yundt: I do not.

Mr. Kittredge: Now, in getting up this exhibit 3, covering an expenditure of approximately $1,500,000.00, why it is you did not make up the details of the numerous elements going into the cost as I have read them off to you?

Mr. Yundt: Well, it was from the expenditures that were made and the expenditures yet to be made that I got that figure of

$1,500,000.00; but as to just what any one pole might have cost which went in part to make up that aggregate sum, is some-
888 thing which I cannot tell you. It might be of interest to you, possibly, but it has no possible bearing on this case. What a particular pole cost, set in the ground at Shreveport, and what a like pole, set in the ground, at Baton Rouge cost; and what a similar pole cost in New Orleans is something that I don't know. We may set one hundred poles in New Orleans. Here is your bill for poles; here is all of the labor items, and the freight and the hauling, and all of the contingent expenses that may arise in connection with the placing of those poles,—they merely go to make up the cost of putting that pole there. A pole set in the ground in one city will cost so much; a similar pole set for use in another city will represent an entirely different figure. It was merely to show how big a volume of money, or material, rather, is represented by such a program that those items were listed there.

Mr. Kittredge: But you didn't have one pole in Shreveport and one in Baton Rouge and one hundred in New Orleans. You had 7,500 poles throughout the state. Now, why didn't you show the cost of those 7,500 poles?

Mr. Yundt: Because I thought that the extent of the program was the important matter. As I saw it the important question was as to how much money we were going to spend in Louisiana in providing telephone facilities for the use of the public, and how much money we were spending in the caring of the property. Whether it took 7,500 poles to do that or whether it took 750 was not important.

Mr. Kittredge: How do you know your figures were right,—your total figures?

Mr. Yundt: From the results,—from the costs themselves. You see, this hearing was held in December, and I had date up to the first of December at that time.

Mr. Kittredge: Why didn't you file it with the Commission in this case?

Mr. Yundt: Well, we did tell them what the program cost; and there it is.

889 Mr. Kittredge: You did not think it was an important thing to advise them of the cost of this 470,000 pounds of bare copper wire?

Mr. Yundt: No not at all.

Mr. Kittredge: The cost of that copper wire would have been fairly easy of ascertainment by you, wouldn't it?

Mr. Yundt: Why, I could dig out all the bills of the company for such wire and find out what bills were charged to Louisiana and then average out that wire on price, yes, sir. But it would have taken a month or more to do that. I don't believe that a man could do that work in a month.

Mr. Kittredge: Can you and will you supply the prices on the items shown in your Exhibit 3 to this Commission?

Mr. Chipley: Mr. Chairman, I don't think that is at all necessary; for this reason; the Interstate Commerce Commission prescribes how

property shall be classified on our books and our books are kept in accordance with those requirements of the Interstate Commerce Commission. The books show the investment, and, as Mr. Yundt has pointed out, when you get this information it doesn't mean anything at all. It is simply *take* a part of a whole, while our property account, as he also pointed out, shows what we have added to the property classified in accordance with the instructions of the Interstate Commerce Commission. Of course, the object is obvious it will take four or six weeks to work it out. That Exhibit "Yundt 3" was introduced to show the amount of material,—some of the major items of material,—and nothing more. Mr. Hoxsey in his testimony gave you the investment of the company in the state of Louisiana; and he is the witness that should be called on to testify as to the investment figures. This information that he is asking for doesn't mean a thing on earth, so far as this case is concerned, after you get it; except that it would mean a four or six weeks delay.

Mr. Kittredge: It doesn't mean anything to the telephone company. We know that; or it would have been here in abundant detail. It probably means something against them or they would have had it here. It does mean something to us, however; and on the theory on which we are conducting this case it is essential that we have it.

Chairman Taylor: What is the object, Mr. Kittredge? What difference does it make what these separate poles cost?

Mr. Kittredge: We didn't ask for it on separate poles. I want it on these items as a whole. They have simply come in here and said to you that they have bought so much material and that the whole thing cost them so much. Now, we think we are entitled to know what they paid for that material and what they paid for the labor used in connection with it; they have shown certain costs here; and it is essential to our case that we have this data, because we do not believe these things cost that much money.

Chairman Taylor: Well, if you doubt the figures, you have an expert whom you employ for that very purpose,—for the purpose of going over the books of this company. I am sure you appreciate that the Commission cannot go into a detailed scrutiny of every detailed item in this vast mass of cost figures. Now, the company has come here and filed these statements and sworn to the correctness of the figures. If they are not correct I presume your expert will be able to show where they are wrong. Now, as I understood the witness he said that these cost figures were not separated as to details,—that is, that he couldn't tell you the cost of this particular pole or that particular pole,—that the accounts are kept as a whole, and not for Louisiana separately. Is that right, Mr. Yundt?

Mr. Yundt: We keep our property account for Louisiana separate, but I introduced, as you will remember, some costs,—average costs,—for certain forms of plant, and I said that these costs were only average costs, derived from a representative quantity of work in this southern territory; and that for that reason I could not say what a pole cost in Louisiana.

Chairman Taylor: I understand——

Mr. Yundt: That these figures were simply indicative. I
891 did not use any of this material listed here, nor any of the cost items of a particular kind of plant as a basis for anything in Louisiana, except this; that I showed you how many stations we have put in; I showed you how the service was cared for; I showed you how many toll calls there were and how we have taken care of the long distance growth. I showed you how much work we did in 1920 and what we were to do in 1921. I have shown you what the average wage rates were, comparing the two periods, and the items of plant cost, comparing the two periods named. Now, all of these things are only indicative. Now, let us get down to the facts and we will see what was the result in Louisiana. I then filed my Exhibit 8; showed in it the average investment in the years 1916, 1917, 1918 and 1919. I gave you the average number of stations and the average cost per station. Now, that is real evidence, because, when you come right down to it,—we will take a 50 pair cable on a certain street,—that street right there—we find that the traffic requirements are such that we have to put in a 200 pair cable; and we put it in. Now, the price of lead and copper and of labor, and of all of the cost elements entering into it, may be higher today when we are putting in that 200 pair cable than it was when we put in the 50 pair cable; but there is an economy in larger units. Now, the plant account did not go up in proportion to the basis of the new material and labor, but it is only up by the difference between the two properties, and we have four times the facilities. Now, there was an economy in that replacement. In another case we may have to replace a 30 foot untreated pole,—a plain old cypress pole,—with a 30 foot creosoted pine pole. It is more expensive, but it has a longer life, and there is an economy there. In another case your lines may be longer, due to people living farther out, and you increase the cost that way. Next you may have to put in large units, which decreases the cost. Next you may have utilized better your building and your conduit system, and that decreases the cost.

Next you may have introduced in your plant a new conduit,
892 which increases the cost. Now, all of those things, taken by and large, mean something in the plant account. Now, in 1916 the investment of the company was $167.69 per station in Louisiana. In 1919 it was $180.30, an increase of $22.61, which is 14% increase only; yet we know that wages are 70% higher. Materials were very high, but the property has been wisely and economically administered; and furthermore, we have used our property to the last possible notch; and all of those things affect the plant account. It was not my purpose in my exhibits leading up to that point to show that the cost of poles and labor are now 60% higher or that the plant account is 30% higher. I did not say any such thing, nor even that it cost that much more per added station today as compared with the past.

Mr. Chipley: Whatever they did cost is reflected in the books?

Mr. Yundt: Yes, sir, whatever the cost is is shown by the books.

Mr. Kittredge: I take it, if you assume as sacred the costs as pre-

sented by the company here, or by any other public service corporation, and do not go into an examination as to whether or not that money was reasonably and economically expended, that there is probably no doubt as to the mathematical correctness of their figures here; but that is one of the very purposes in the existence of this commission,—to determine the reasonableness of the prices paid. Mr. Yundt spoke of the wise and economical administration of this property. Possibly it has been, but why does he shut the doors when I attempt to enquire into the wisdom and the economy of that management? You say, Mr. Chairman, that we have had access to the books of the company. I tell you that we have had no time to do more than skim the surface of those books. Now, they have planned, so they tell you, to spend $5,000,000.00,—no,—$12,000,000.00 here in Louisiana, in five years, and you are asked to raise these rates on that ground. We are asked to assume that great burden, and to take their unsupported word for it that that
893 money has been and will be wisely and economically spent. The courts have all held that we have the right to enquire into that feature of the matter. In fact, in some instances such cases have been decided against the people on the ground that they did not attempt to produce testimony controverting such assumptions or statements. That is exactly what we are trying to do here. They have come here and handed us a great big lump sum; and they say to us "This — what we have spent and what we propose to spend in this state"; and I hold that we are within our right when we ask for reasonably itemized statements of the expenditure of that money.

Chairman Taylor: Just what is it you want to know?

Mr. Kittredge: I want to know this,—Mr. Yundt would have you believe that I want to know what each pole in Louisiana cost his company. That is nothing short of absurd, of course; but I do want to know what the 7,500 poles which he says he has bought cost him, and that is not absurd. In reading over the testimony taken on the previous hearing in this case I find that in some instances, where it is to their advantage to show it, they have given you cost figures in the most minute detail. He says that he bought 18,000 treated cross arms. Is it unfair to ask, when he speaks of his wise and economical administration of the company, what he paid for those poles? I want to know that, because I want to be able to form some judgment of my own as to how wisely and economically this property has been administered. I want to know whether these are fair and reasonable charges to place upon the people of Louisiana. That is why I want the figures.

Mr. Chipley: Mr. Chairman, you can indefinitely ask questions of that character and indefinitely continue to ask for statements of that kind, but when you have finished they don't mean a thing in this world. Of course, I have no particular objection to all this talk to the effect that the only reason this information wasn't here with the rest of our figures is because it was against us. We rarely try a case of this kind that we aren't met with the same argument on
894 one point or another; but when all that is said and done, the facts remain the same; the books of this company are kept as

provided by the law of the land and they show on their face what the investment is, in their proper places, and properly classified. If any one wants to examine the books and records of this company they can find what the bills for purchases and materials are and they can find what the bills for labor are, but when you get that you get nothing except what appears on the books, showing the completed work and the resulting cost. Now, Mr. Chairman, they had an opportunity to make an examination of these books. Their man was in Atlanta, at our place. He came in and asked for a lot of things. He asked me for a copy of a report made by an expert of Louisville, Kentucky; he asked me for a copy of an engineers' inventory and appraisal made in Louisville; he asked me for a copy of my brief in the Mississippi case; and he asked me for a lot of things, practically all of which I gave him, some of which he probably will say he didn't get. He could have come and asked for these things at the time. He made an examination of the books; they were there available to him. Now, this doesn't mean anything at all except delay, because, as I say, at the finish of the thing you are right where you were when you started off. After all, the test of the proposition is the investment in the property. Now, we have not come here and asked for rates based on the value of the property today, because the value of the property today, as shown by the reproduction figures is much higher. Everybody knows that. I submit that in all fairness and under all of the circumstances, after they have had the opportunity to ask us for this information in Atlanta and get it, and did not do so, that they should not be allowed to come here and delay this matter for another thirty or forty days. It doesn't mean anything after you get it, and I don't think that we should be asked now to make up statement after statement. Everybody here knows that if we are required to make up this statement we are going to
895 be called on to make up dozens of others; and we will be months finishing this case.

Chairman Taylor: Have you a witness here by whom you can show the average cost of these poles and other materials? I think some exhibits were filed showing those things?

Mr. Yundt: No, sir, I don't think that data is here. Now, I think it could be gotten in this way: we have a property account,—or could have been gotten,—we have the property account for Louisiana by the various items, like pole lines and wires. Now, we might have gone through the records and dug out between the periods about how many poles were added, and we then would have gotten a composite figure, which would be this: that everything which is charged to poll lines,—the digging of the hole, the pole itself, and everything else which is known as pole line work under the Interstate Commerce Commission classification, would have been there, but you still would not have had the exact cost of the cross arms; what was the guying; what was the bracketing, what was the pole itself. All of that might be very interesting, but it is certainly not useful.

Mr. Chipley: The point is this: we keep our books as provided for by law: and we don't keep them in such a way as to permit this information to be gotten without great labor and time, and——

Chairman Taylor: It would be impossible for you to separate those items without a great deal of delay?

Mr. Chipley: It would be interminable, Mr. Chairman.

Mr. Yundt: As a matter of fact, we would have to do it on new work. We could not do it on old work.

Mr. Kittredge: Then how did you arrive at the total of $1,369,000.00?

Mr. Yundt: From the expenditures on the various jobs in the various cities and towns and toll lines in Louisiana.

Chairman Taylor: From time to time?

Mr. Yundt: Yes, sir, during the year.

896 Mr. Kittredge: Were those expenditures economically made?

Mr. Yundt: I think so.

Mr. Kittredge: How do you know that, if you can't find out what your poles and what 470,000 pounds of copper wire cost you?

Mr. Yundt: Well, we do know what the material bills came to; we know what the labor amounted to, and what the freight and traveling and transportation all amounted to; but as to just how much of that should be charged to the pole and just how much to each particular kind of wire, we don't know. We might have put sharks there with stop-watches in their hands and note books and figured it out approximately; but, after all, if we know that they are good, skillful telephone workmen and that they are on the job nine hours a day, under the direction of a competent foreman, whom we watch and know about, and if we find that the material is in the work; then when we go there if we find that the plans have been carried out and that the average cost of that job compares favorably with other jobs of a similar character, then we are sure that the job was economically done.

Mr. Kittredge: You would not, then, have taken the trouble to find the cost of, say, so small an item as twenty-one million conductor feet of cable, except as given by your answer just made?

Mr. Yundt: Well, each job stands by itself. Now, that 21,000,000 conductor feet of cable,—that is the way we express the amount of cable used in a state or in a year,—we make our commitments for so many million conductor feet of cable; and then it is made up in 50 pair cable or 100 pair cable, or 900 pair cable, or whatever we may require, and shipped to us.

Mr. Kittredge: But you don't know what this enormous amount of cable, 20,000,000 feet, cost you.

Mr. Yundt: Why, it is reflected in the property accounts of the company, as a whole, of course, but I cannot tell you what that particular stretch of cable out in the street there cost, no.

897 Chairman Taylor: And you could not tell from your books what it cost, in place, unless you took up and separated every item entering into the work, as I understand it?

Mr. Yundt: You would have to take the whole operation of the year in the state of Louisiana and put a lot of cost accountants on it to try and find out what it did cost; and it wouldn't amount to a hill

of beans when you get the figure, even assuming that it was absolutely correct.

Chairman Taylor: Well, I don't think, Mr. Kittredge, at this late stage, that we could possibly go into such minute detail and get that information. I don't think it would be possible, within reason.

Mr. Kittredge: We have only five years, Mr. Chairman, of this. Would you call such a thing as the expenditures of this company for a period of five years a matter of minute detail?

Mr. Chipley: It is five years in the future that you are talking about, though. That is the difference.

Chairman Taylor: Well, this company is a going concern all the time; and I don't believe it would be possible for the telephone company to give us a correct estimate of what each article that goes into the construction of the property through the whole year cost; and, furthermore, unless you have some evidence to offer to show that there has been gross mismanagement of the company, and that they have paid extravagant prices for this material, I don't see what bearing it would have on the case. I don't see what purpose it would serve. What the Commission is interested in getting is the general average on these things,—the general average of the costs of construction and the general average of the costs of operation. The whole purpose is to determine whether or not the amount of money that is claimed to be invested in this property is a reasonable amount for the property that is there;; and, having determined that, the purpose of the Commission is to say what is a reasonable return to be earned on that money so invested;; but I don't think that
898 a minute examination of the cost of everything that goes into this property is necessary to determine that.

Mr. Kittredge: But how will you determine whether the amount of money claimed to be invested is actually there if you do not permit evidence on that point? That is exactly what I am endeavoring to do here. I want to know, for instance, what they paid for 21,000,000 conductor feet of cable.

Chairman Taylor: I don't know that it is all bought at one time or purchased at one time. In other words, it looks to me like you are dragging the enquiry into such deep water when you go into those details that it is going to be very difficult to sift the material evidence from that which is immaterial. Now, when you find out what this 21,000,000 feet of cable cost them, what good is that going to do you, unless you are in a position to show that they were overcharged on it, if you don't know how much it cost to string that cable on the poles, and if you don't know how much it cost to dig the holes to put the poles in? That is just the way it appears to me. I may be wrong about it; but it is my view that the important element is the cost of this property after it is ready for use, rather than the cost of the individual items going into it, unless, as I say, you have evidence to show that they paid excessive prices on any of the material. Then, of course, that would be important. Unless you have all of that information, and frankly I don't see how it is obtainable, of what assistance will it *to* be to the Commission to have

these figures in arriving at what is a fair charge for the construction of the property?

Mr. Kittredge: Because we would be able to supply you with evidence as to whether or not the prices were fair and the charges proper.

Chairman Taylor: Well, if you have the detailed costs of those things it will be easy enough to check them against the total which the company shows here.

Mr. Kittredge: But suppose——

899 Chairman Taylor: Mr. Kittredge, you have just got to deal with general averages in propositions like this. It is utterly impossible to go into such details as you suggest here. You have simply got to strike the general averages on all of these costs and things. You can't take the cost of any one particular item for any one particular period and then base your conclusions on that. You have got to take it over a representative period of time and reach your conclusions on the general averages as shown.

Mr. Kittredge: For instance, labor is shown in here as one item, and you could get at that?

Chairman Taylor: No, you can't, because labor will cost more in one community than it costs in another; and for that very reason you have got to take the average. Right here in this state today you have an illustration of that Over in the rice and sugar and cotton territory, I am told, labor has gone down considerably,—gone down to a very low figure compared with what it has been at for a number of years past; and yet right here in Baton Rouge it is practically at its peak. Of course, that is due to local conditions here; but it is a fact, and I presume that the company in its work in Baton Rouge meets that condition right today.

Mr. Kitteredge: But that is what I want to get, Mr. Chairman, the general averages.

Chairman Taylor: You might ask him as to the average costs then, but as to what it cost to put a particular cross arm in place on a pole in Baton Rouge and what it cost to put on in place in Bastrop, I can't see where that would affect the issue much one way or the other, unless you take the average of the two. I don't think the Commission would care to go into it. It is a question as to what the property as a whole cost, and as to whether that is a reasonable cost.

Mr. Kittredge: Mr. Chairman, we both live in an agricultural state. Suppose some man was renting a sugar plantation or, rather, managing a sugar plantation for you; and he rendered you an account at the end of the year. Suppose that he told you that the

900 cost of running the plantation had been so much; then suppose he came and told you that he had bought 21 mules and 20 wagons and 40 plows and other things; and that his labor, in bulk, had cost him so much; and then suppose that he told you that he was on the verge of bankruptcy and needed more money. It is fair to assume, then, that you would probably ask him what he had paid for his 21 mules and his plows and his wagons, and what his labor cost him in the field and what it cost

him in the mill, and his reply to you was that that was mere minute detail, in which you had no earthly interest. I am rather of the impression that you would disagree with him; and tell him that if he was on the verge of bankruptcy you had a right to know what he paid for those things. That is the situation here today, exactly.

Chairman Taylor: Yes, as a whole, but I don't think I would have any interest in knowing what he paid this particular nigger and what he paid that particular nigger. I certainly would want to know what his labor cost him, but I wouldn't care to know what amount he paid each individual hand on the place, though; and that is what you are getting into here. Now, the Commission will not require the company to produce these detailed figures. In dealing with this case we are going to have to deal with it just like we do in any proceeding brought by any other public service utility. When railroads come here and ask for authority to increase their rates the Commission doesn't inquire into the detailed rates of the thousands of commodities that they move over the line in the course of a year. We take their general average figures and we form our conclusions on those figures. Of course, if some particular rate appears to be absurdly high or absurdly low we may look into that particular rate, but unless there appears to be something radically wrong, such as mismanagement or diversion of funds, or something of that sort, we have to deal with the general averages; and if any other commission anywhere in this country ever dealt with these propositions on any other basis I have never heard of it.

901 Mr. Kittredge: If the Commission had granted us sufficient time to go into these things we might have been able to find out for ourselves.

Chairman Taylor: When Mr. Michel and I re-opened this case on the application of the City of New Orleans we told you that we would give you sufficient time to gather such testimony as you might want to present, and I think we have done so. Now, we went out of our way to re-open this case for the city of New Orleans and we want to afford you every facility on earth to present your case, but we can't hold this case open indefinitely for the production of some figures which, as I see it, but but very little, if any, material reference to the issue before us. Now, Mr. Viosca and Mr. Maloney, when this case was heard before, sat here for three days. They cross examined the witnesses for the company in a casual way and then took the train and went back to New Orleans. We gave them every opportunity to present such evidence as they might want to introduce, but instead of doing that they took the train and went to New Orleans. Now, we heard nothing from them, or from you, from the 16th or 17th of December, until the latter part of January. I think the Commission has been very liberal with the city of New Orleans in this matter. We have gone out of our way, at this late date, to re-open the case on your application, and you have had three weeks or a month to prepare such evidence as you might want to introduce; and you will be given a full opportunity to introduce it. Now, you sent Mr. Wolff over to Atlanta, and, so the company says, he was afforded every opportunity to go through their

books and records. He must have received a copy of this exhibit there; and he had ample opportunity then and there to call for detailed figures on it if he wanted them. Instead of that you wait until you get here, with a witness on the stand under cross examination, and now you ask that the case be held up again until these detailed exhibits can be worked out.

Mr. Kittredge: But Mr. Wolff did not have all the exhibits.

Chairman Taylor: Well, I personally saw to it that Mr.
902 Viosca was handed a copy of every single exhibit that was filed by the company. Mr. Viosca had a copy of this exhibit then, and he was here; and if he had wanted to know what this cross arm cost and what that pole cost, if it wasn't shown on the statement, he could have at that time asked that it be furnished; and we might have been able to get it by this time.

Mr. Kittredge: Now, in a spirit of fairness to Mr. Viosca I think I should answer that. You will recall, and Mr. Sherer here will admit, that we tried in every way possible to secure a copy of this transcript of testimony immediately after the hearing, but for some reason or other he was unable to furnish it promptly. You yourself told us in New Orleans how busy he had been and that it was impossible for him to reach this case promptly; and we were late in securing a copy of the evidence. Manifestly, it was impossible for us to do anything until we had the record before us.

Chairman Taylor: That is quite true, as to the testimony, but you did have all of the exhibits; and it is on an exhibit rather than on the testimony, that this question is up now.

Mr. Maloney: We had a part of the exhibits, but not all of them.

Mr. Chipley: I gave Mr. Viosca with my own hands a copy of every exhibit that we introduced.

Chairman Taylor: Well, as I see it, it is going past the point of reason to require this company to show what all of these items, perhaps running into a total of ten or twelve million dollars, cost, as to the individual items. We are not interested in knowing what some specific pole may have cost in the city of New Orleans or in Opelousas, because we are not trying a case involving the rates in those two towns. We are trying a rate case involving the whole state of Louisiana; and it is the cost of the property in the state of Louisiana that we are interested in,—the investment,—and not the details of that cost.

903 Mr. Barrow: Mr. Chairman, permit me, please, to make a statement at this time as to what should be before the Commission, and it may possibly have some bearing on whatever ruling the Commission may make on this point: Since the last hearing in this matter I have been called upon by the Commission to examine the decisions of the courts as to what evidence is properly before a commission in a proceeding of this character, in passing upon the question of reasonable rates. I think the fundamental things are the property investment,—of course, that is primary and fundamental,—some companies have even gone so far as to offer reproduction values, but I have not found any case, except a recent case before the Supreme Court of the United States,

where it was held that a proper basis for rates was the reproduction cost and not the property investment. What the Commission is primarily interested in, therefore, is finding out how much money the company claims a right to earn on,—what investment it claims to have a right to earn on in the state; a secondary question is as to what it costs to give the service; that question, of course, takes into account maintenance, operating expenses, depreciation, and other items which are charged on the company's books against the cost of giving service, all of which are subject to the closest scrutiny and should be scrutinized most closely. Now, when you have passed that point you have come, I think, to the broader question of whether or not the company is entitled to earn a certain percentage on the investment which you have found. That merely, is a question of law which the Commission must, in deciding the question of fact, also consider as to how much they will permit the company to earn; but, first, it is necessary to determine the investment; and, second, the cost of giving service. Now, in no case that I have examined, telephone, railroad, or other public utility, have I found that the Courts have held that it was fundamental to go into the details of costs and operating expenses, such as, for instance, the amount of wages disbursed, say, in the putting up or stringing of copper wire or galvanized iron wire, or
904 a certain number of cables, or the setting of a telephone pole. The whole thing enters into the construction cost, and is distributed in accordance with the classification of accounts as prescribed by the Interstate Commerce Commission. Having determined upon the investment and having before it the operating expenses of the company, together with its income statement, it is then the duty of the Commission to determine what is a fair rate of return, and upon what investment that rate of return is to be allowed. I offer these suggestions in response to the Commission's request at the last hearing in this case that I be prepared to discuss these financial and operating matters when the Commission was ready to consider them.

Mr. Kittredge: Do you hold that the Commission can not take into account or consider whether the expenditures are wasteful or economical?

Mr. Barrow: Not at all; I think that is quite a pertinent subject of examination; but I do not think that it would be reflected merely in an analysis of the accounts. You would have to find some other ground on which to attack the management was wasteful and extravagant than the mere fact that the detailed figures desired by you were not presented. Of course, the question as to whether a utility is economically and properly managed is always pertinent to an issue of this sort, but I do not think that could be established by finding out what it cost them to put down a telephone pole. I think that all the laws,—certainly the Transportation Act of 1920, especially, provides that railroads shall be allowed to earn 6% on their value, based on honest, efficient and economical management. It is written into the law itself.

Mr. Kittredge: Well, I respectfully call for a ruling by the Com-

mission on my request that this exhibit be amplified by showing the total cost of the property that went into the improvements in this state last year.

Chairman Taylor: The witness says that he cannot furnish it except by going to the books of the company and going into every phase of the expenditures for that period, which he says
905 would be an almost impossible job.

Mr. Yundt: I can tell you this: that as of December 31, 1919, there were 62,162 stations in the State of Louisiana, and the total plant account, exclusive of work in progress, and when I say plant account I eliminate supplies, capital, and all that sort of thing,——

Mr. Chipley: You mean working capital?

Mr. Yundt: Yes, sir, working capital,—was $10,635,473.75. That is the figure at the beginning of the year 1920. At the end of December 31, 1920, the end of the 12 calendar months of 1920, we had 68,294 stations in Louisiana; and the total plant account, excluding construction work in progress, was $11,836,438.71, a gain of 6,132 stations; and an increase in the plant account of $1,200,964.96. Say we expected to do $1,500,000.00 or $1,600,000.00 of work in the state, then that figure, less the amount represented by replacements, which is a big job, represents the addition to the property account, on which we want to earn, and must earn. That is the measure of the work.

Mr. Chipley: That does not include working capital?

Mr. Yundt: No.

Mr. Kittredge: That is your answer to my question as to what the items cost as a whole,—the property you show on your Exhibit 3, is it?

Mr. Yundt: That is the net result of the work we did in the way of adding to the capital account, yes, sir. The whole program for the year, which includes replacements, improvements, extensions, etc., amounted to the figure that I show in Exhibit 3, which was introduced when I was here in the month of December, which was to the effect that we expected to carry out a program amounting to about $1,560,000.00; that we had already expended $1,400,000.00 of it. Some of it will probably slide over into 1922, due to delays in receiving material, etc.

Mr. Kittredge: Is that the amount that you have actually spent in this state during 1920?

A Mr. Yundt: I have not checked it as of the whole year,
906 because that was partly estimated, but the actual figures that have been read here are the final results of the company's operations. We know that $1,200,964.96 was spent for improvements and extensions.

Mr. Kittredge: During what period?

Mr. Yundt: For improvements during the calendar year 1920; in addition to which there were other expenditures, amounting to several hundred thousand dollars for replacing property, and otherwise caring for the physical property.

Mr. Kittredge: When was that exhibit prepared,—your Exhibit No. 3?

Mr. Yundt: It was prepared about the first *fo* December, 1920, when I had about ten months' data before me.

Mr. Kittredge: What would that program cost today, February 24?

Mr. Yundt: That program there of $1,500,000.00?

Mr. Kittredge: Yes, sir.

Mr. Yundt: If we made the committments today, and did not have to use any material which we ordered out last year and now are to get,—but if we could place orders today and say get the materials at the end of the year, and the work carried on, and finished by the middle of 1922, it would perhaps cost as much as 10% less than that. Some items would cost a great deal more and others would cost a great deal less but taken as a whole I would say that the cost would average ten per cent. less.

Mr. Kittredge: It would not be reduced by more than ten per cent?

Mr. Yundt: I do not believe so; I made a check on a very large amount of work, and it did not show as being that much. I found that certain items, like cable, in this particular case that I had under way,—the cable system could be reproduced for less than the property account in cables, but that other things would be doubled.

Mr. Kittredge: The other things which would be doubled by now, what were they last year,—would they be double now
907 what they were last year?

Mr. Yundt: No, double over what the property account showed. I had a case where I checked the property account against the reproduction cost as of today.

Mr. Kittredge: Wouldn't the items of property entering into this exhibit be much less today than they were last year—poles, copper wire, cross arms, etc., insulated wire, galvanized iron wire, cables, switch board positions, etc.?

Mr. Yundt: Your copper wire would cost you less; cable would cost you less, hardware would cost a little less; poles would probably cost you about the same, or a little more, because of the higher freight rates and higher average wages we are paying today as compared with the first part of last year. The equipment would not cost less. I checked that up with different manufacturers. There are four big manufacturers of equipment in this country; I have gotten information from all of them and they all says that prices are not going to be lowered this year; some of — think that they will be a little higher because they have got to continue their present wage rates this year. They have to use up the material that they bought last year; and in addition to that they have a lot of new factory buildings, dies, machinery, etc., and they have got to get their money out of it; and for this reason equipment is not going to be down appreciably for probably two years.

Mr. Kittredge: You say that labor would cost you more today than it did the first of last year?

Mr. Yundt: Yes, sir.

Mr. Kittredge: Would it cost you more today than it did the latter part of last year?

Mr. Yundt: Yes, sir, and we would like to pay still more.

Mr. Kittredge: I did not ask what you would like to do. I asked you if it would cost you more today than it did during the latter part of last year?

Mr. Yundt: We are paying the same wage rates today that we paid the latter part of last year.

908 Mr. Kittredge: Labor would not cost you more than it did the latter part of last year, then?

Mr. Yundt: No, but we had a year's program, which included the wage rates at the first part of 1920, the middle of 1920 and the end of 1920.

Mr. Kittredge: As a matter of fact, don't you know that labor would be cheaper this year than at the peak last year?

Mr. Yundt: No, it will not, because our men are skilled workmen and we have to pay the rates.

Mr. Kittredge: How did wages compare three years ago with the same class of skilled workmen in other lines of labor?

Mr. Yundt: Well, that would be the year 1918?

Mr. Kittredge: Yes.

Mr. Yundt: Well, I know that in 1919 we increased the skilled telephone workers—that is, in 1919, we increased skilled telephone workers, other than operators, about 14%. That was in May, June and July, 1919. In 1920 they got another increase of approximately 7%. In the latter part of 1920 they got an additional increase—not a general treatment, however, but on an individual basis. We thought by that time that we had lifted the general scale sufficiently high, and these advances were on individual merit.

Mr. Kittredge: You misunderstood my question: I did not ask you how and by what percentages you had increased your labor. I asked you how your wage scale of say 3 years ago, or you can take any normal period, compared with the scale of other similar workers in other lines?

Mr. Yundt: Well, that is something I could not tell you about. I do know that our skilled workers, taking a like term of service and like experience, and the same native ability, etc., are today getting about 25% less than similar employees in railroad work today. Our linemen rate, for example, the base rate, is $27.00 a week, for a 9 hour day; and they work 51 hours. Now, working 51 hours a week at $27.00 gives you 54 cents an hour. Take the other

909 trade artisans, on building work, for instance; they get from 85 cents to $1.00 an hour; and some get $1.25. I believe pipe fitters, electricians, plumbers, etc., get as much as $1.25 an hour. There has been a recent reduction in a good many towns which is going to bring that rate down to probably an average of $1.00 an hour; but as it is our employees are getting considerably less than that. Now, if you take the $1.00 rate and assume that the average artisan is employed say 75% of the time, he is still getting nearly 30% more or higher wage rate than our people, and, as to

railroads; as I have said, the average is about 25% higher than our rate.

Mr. Kittredge: Was that the average condition, say three or four years ago, in normal times?

Mr. Yundt: I don't know anything at all—I would hate to tell you what conditions were three or four years ago because I have only had this administrative job for the past two years. I am fairly in position to tell you how our wages and working conditions today compare with those today in other similar or comparable lines of work; but I could not tell you how our records of three or four years ago compared as to wage rates with other industries. I would not want to attempt to do that. However, we have our own wage rates here. I introduced that as my Exhibit 6, in which I compared our wage rates in 1914 -ith the wage rates of 1920.

Mr. Kittredge: Now, Mr. Yundt, please refer to your Exhibit No. 7?

Mr. Yundt: Yes, sir.

Mr. Kittredge: Was that prepared under your direction?

Mr. Yundt: Prepared under my immediate direction, yes, sir.

Mr. Kittredge: I show you Jagoe's Exhibit 7, as introduced by him in the Alabama case; and I ask you if the two exhibits are not identical?

Mr. Yundt: They appear to be—they are, yes, sir.

Mr. Kittredge: Who prepared the original exhibit, you or Mr. Jagoe?

Mr. Yundt: It was prepared in the engineering department of the company and was printed; and was gotten, I presume, by Mr. Jagoe from that department.

910 Mr. Kittredge: I call your attention to the fact that Mr. Jagoe in the Mississippi case revised his exhibit by shortening the diagram as indicated by the red lines thereon. Have you a similar revision to make on your exhibit?

Mr. Yundt: No, because I don't know what the revision was made on his exhibit for. I don't know anything about it.

Mr. Kittredge: Doesn't it indicate that it was revised on account of decreasing costs?

Mr. Yundt: I don't know, sir, anything about it at all. I don't know what he said about it, or how he introduced it; I don't know what changes he made in it; and, in short, I don't know anything at all about his exhibit.

Mr. Kittredge: I show you Mr. Jagoe's Exhibit No. 8 in the Mississippi case, as revised. Did you make a similar exhibit and introduce it in this case?

Mr. Yundt: I did not introduce one like that, no.

Mr. Kittredge: Who is Mr. Jagoe, Mr. Yundt?

Mr. Yundt: Mr. Jagoe is an employe of the company, connected with Mr. Hoxsey's office.

Mr. Kittredge: In this connection, Mr. Chairman, I wish to introduce here this exhibit of Mr. Jagoe's in the Mississippi case, and asked that it be marked "New Orleans Exhibit A."

(The statement, so offered and identified, was thereupon received in evidence, and marked "New Orleans Exhibit A.")

Mr. Kittredge: Mr. Yundt, will you take Mr. Jagoe's exhibit and read the index numbers for poles?

Mr. Yundt: 294 is the index number to poles.

Mr. Kittredge: And for lead?

Mr. Yundt: 110.

Mr. Kittredge: I will ask you to read them as of August 1, 1920, where the lines ended on the original exhibits?

911 Mr. Yundt: Poles, August, 1920, 294; and lead, 198.

Mr. Kittredge: Isn't it 203?

Mr. Yundt: No, poles 294; lead about 203; and copper 151.

Mr. Kittredge: What is the average for all materials?

Mr. Yundt: 205.

Mr. Chipley: Is that raw material or manufactured articles, Mr. Yundt?

Mr. Yundt: That is on the raw material.

Mr. Kittredge: Will you now read the index numbers on the various lines you have just read as of December 1, 1920?

Mr. Yundt: Poles 294; lead 110; copper 100,—no, 110, the composite being 164.

Mr. Kittredge: What is the drop indicated for each class of that material?

Mr. Yundt: Poles have gone up nothing; lead has come down 93 points; copper has come down 41 points; and the composite has come down 41 points.

Mr. Kittredge: Would not that be an average reduction of 21%?

Mr. Yundt: About, yes, sir—just about.

Mr. Kittredge: Do you know what the drop in those items has been up to the present time, or to this date?

Mr. Yundt: I do not know. I have nothing later than January 1.

Mr. Kittredge: What material, for percentage, or, rather, what percentage does material represent in the construction of a telephone plant?

Mr. Yundt: About 58% of the construction cost is material, or was last year,—about 58%.

Mr. Kittredge: I now show you the petition of your company filed with this Commission asking for increased rates; and I call your attention to the table on page 2 of the petition, in which is given the estimated construction cost for a period of five years, 1921 to 1925, of $12,759,700.00. What prices were used in determining those construction costs?

912 Mr. Yundt: The prices used for 1921 were those for 1920, as I remember,—off hand, I believe 1921 and 1922,—I do know that the prices used for 1920 were the same as used for 1921, or, it would be better to reverse it; the prices used for 1921 were those of 1920; for 1923, 1924 and 1925 we used a reduction of 25%—about 25%—from 20% to 25%.

Mr. Kittredge: Haven't prices dropped materially since you made those figures, as you have just indicated?

Mr. Yundt: Oh, this was a general estimate,—a serious attempt to find out how much work lay before us. We do it every year.

Mr. Kittredge: What would be your reduced estimate for this year under the present prices.

Mr. Yundt: I would not change it at all. As it is, it is good enough for the purposes of this case. We might not do all of the work outlined there, by a million or two dollars; or we might have to add a million or two dollars to it. No one can tell for four or five years ahead what he is going to have to do, but if things keep growing in a normal way; and prices stay on stable basis that probably is what it would take; but as a matter of fact each year has to stand on its own bottom.

Mr. Kittredge: Then how can you determine what your prices are going to be in the next four or five years, with any degree of certainty?

Mr. Yundt: That is just why this cannot be a very serious attempt or a very serious estimate,—it has to be used within reasonable limits. We have made figures showing that in the next ten years we will have to look ahead for so much money and for so many new stations; but it can only be an approximation, of course.

Mr. Kittredge: Do I understand that the estimated construction cost of $12,759,700.00 is to be made out of funds invested in the securities of your company; and that in order to attract this additional capital you are asking for higher rates, so that the company may attract the money necessary for this purpose?

Mr. Yundt: Did you ask that as a question?

913 Mr. Kittredge: Assuredly I did.

Mr. Yundt: Yes; what we want to do is to secure such rates as will yield a fair return or rate of return on the money put in the property by the investing public,—we want sufficiently high rates as to enable us to get money in exchange for our securities with which to carry on the program of construction and development as may be necessary from year to year.

Mr. Kittredge: Do I understand this statement in your petition to mean that you will have a net gain of 30,004 stations at an estimated cost of $12,759,700.00?

Mr. Yundt: If those are the figures in there it means just this,—it means that in that period we expect to gain 30,000 stations; and it also means that in that period we would do a gross construction of about twelve and three quarter millions of dollars. It doesn't mean that 30,000 stations will cost $400.00 a station at all. It doesn't mean that at all. The two things are separate.

Mr. Kittredge: How much do you figure each station will cost you?

Mr. Yundt: They would probably cost us something in the neighborhood of half of that, perhaps. I would not attempt to give you a serious estimate on that point.

Mr. Kittredge: Well, your petition reads "telephone installations for each year"; the next item is "telephone discontinuances" and the next is "net gain, 30,004 stations;" the next is total number of telephones; the next is "construction cost." Now, will you divide for

me the total construction cost by the net gain in stations and tell me what the cost of each gained station will be? Isn't that the way it should be done?

Mr. Yundt: No, because if we didn't add a station at all in that period we would still have a large addition to capital.

Mr. Kittredge: Who would furnish that capital?

Mr. Yundt: We would have to borrow it.

914 Mr. Kittredge: You would borrow all of it?

Mr. Yundt: We might have to.

Mr. Kittredge: Isn't it a fact that a large portion of that money would come from your depreciation reserve, which is money paid in by your subscribers?

Mr. Yundt: To the extent that we have some unexpended reserve for a year; to that extent we would invest that reserve balance in that account.

Mr. Kittredge: Then it would not all be new capital?

Mr. Yundt: Well, it would have to be new capital on the books because the plant account would be increased to that extent.

Mr. Kittredge: But it would not be money which was invested in stock or note or bond holders of the company, would it?

Mr. Yundt: No, not for a time. In the end it might have to be.

Mr. Kittredge: Why wouldn't the whole amount be spent for the construction and installation of these 30,000 telephones?

Mr. Yundt: Because the replacement of property today must be done at much higher prices than the property was originally provided at; and the difference must go into the capital account and must be met out of new money.

Mr. Kittredge: What is your investment per telephone at the present time in the state of Mississippi?

Mr. Yundt: I don't know.

Mr. Kittredge: What is it in the State of Louisiana?

Mr. Yundt: Yundt's Exhibit 8 showed that for 1919 the average investment per station was $180.30, and estimated at the end of 1920 at the same figure. I have not found out what it is for this year, exactly. Perhaps Mr. Hoxsey may have that, but it is just about what it was last year,—I mean 1919.

Mr. Kittredge: How do you account for your estimate of construction cost per station in the future being about twice as great as the present investment?

915 Mr. Yundt: It depends entirely upon the program. If in a town we have our central office equipment housed in rented quarters and we are going to enlarge that plant and center our underground conduits and cables at some place, that means we have to build our own building; and there, at once, is an addition to the plant account. The conduits themselves would be within the plant account. There may be a change in the type of equipment. We might change from a small magneto board, non-multiple, of the cheapest possible type, to a common battery, multiple switchboard, costing several times as much per line; and that increases the plant account.

Mr. Kittredge: Haven't you testified that the whole trend of the

telephone business, you and Mr. Hoxsey, is toward bringing down prices and toward economies in operation?

Mr. Yundt: It has been, yes, sir. The whole trend has been that way, and it is yet.

Mr. Kittredge: And yet, in these proposed projects and expansion in your business, each telephone is contemplated as costing over twice as much as they did last year, when prices were *that* the very highest peak?

Mr. Yundt: I don't think that follows. I don't think the two are contradictory.

per station of $425.33, when, as a matter of fact, about 50% of this construction, even if it will amount to the figures you give, which we do not admit, will be provided for by the subscribers to the company's service?

Mr. Yundt: I think the company made a proper statement of the circumstances or of the situation, and gave the public a look into the future, as well as one can look into the future. Now, the company did not say how much money had to be raised, nor any other matters relating to the financing, as might have been indicated by this construction cost. It did not say "We want to raise that amount of money for the State of Louisiana." It just said
916 that the facilities that were needed would have to be financed, in so far as they were capital additions, by the investing public. I think the statement is very clear. It did not intend to deceive any one nor was it an attempt to deceive anybody, nor do I see how anyone could be deceived by it.

Mr. Kittredge: Now, referring to page 15 of the pamphlet, where you give the investment and earning figures as of 1917 and 1919 for the company as a whole, and for the State of Louisiana separately; will you please state what your company earned in the state on the stated investment in Louisiana in 1917?

Mr. Yundt: I don't know. Mr. Hoxsey has that data.

Mr. Kittredge: But I refer to the pamphlet, at page 15?

Mr. Yundt: In 1919?

Mr. Kittredge: I asked for 1917 and 1919.

Mr. Yundt: In 1917 the net revenues from operations in Louisiana were $1,543,249.58, and in 1919 the net operating revenue was $1,332,663.46.

Mr. Kittredge: What percent was that in each year?

Mr. Yundt: In 1917 that was, according to the same pamphlet, 8.51 per cent, and in 1919 it was 5.59 per cent, as shown on page 4 of that pamphlet. I want to correct this matter, Mr. Chairman—what he was asking me for on page 17 is the return of the Cumberland Telephone Company as a whole, and not Louisiana.

Mr. Chipley: It is both, Mr. Yundt; they are both there.

Mr. Kittredge: I asked what the company earned in the State on its investment in 1917—in Louisiana, on that page.

Mr. Yundt: It is given on page 4. The company earned in Louisiana in the year 1917 $779,907.47 or a return of 8.51 per cent.

Chairman Taylor: What year?
Mr. Yundt: 1917.
Mr. Chipley: Now, 1919.
917 Mr. Yundt: The Company earned in the State of Louisiana during the year 1917——
Mr. Kittredge: I didn't ask about that.
Mr. Chipley: Yes, you did; you asked for 1917 and 1919.
Mr. Kittredge: No, I did not.
Mr. Chipley: Well, he certainly answered you that way.
Mr. Kittredge: Where you give the investment and the earnings for 1917 and 1919 for the company as a whole and in the State of Louisiana separately, please state what your company earned on the state investment in 1917 in Louisiana; how much did it earn outside of Louisiana in the year 1917?
Mr. Yundt: It earned the difference between what the company earned and what it earned in Louisiana.
Mr. Kittredge. Was it not 2.09 percent?
Mr. Yundt: I don't know. I would suggest that you take this up with Mr. Hoxsey. These figures all relate to finances of the company and they are covered by exhibits that were filed by Mr. Hoxsey and I would suggest that you had better get him to answer these questions, as he is much more familiar with that than I am. As a matter of fact, I am not at all familiar with the finances of the company, except in the most casual sort of way.
Mr. Kittredge: Well, you are an executive officer of the company, and I am traveling outside of the exhibits as such. In other words, the company earned nearly three times as much in Louisiana as it did outside of Louisiana in 1917. Isn't that a fact from the figures you have before you?
Mr. Chipley: There are no such figures in that pamphlet, Mr. Kittredge; but if the witness knows as a matter — he can tell you.
Chairman Taylor: That would include the other states in which the company operates—Kentucky, Tennessee, Alabama, Mississippi and a part of Illinois?
918 Mr. Yundt: I don't think it shows that.
Mr. Chipley: The pamphlet shows the company as a whole, and it does not show the states outside of Louisiana, or Louisiana left out, but, as I said, if the witness knows as a matter of fact, he can answer the question.
Mr. Yundt: I don't know.
Mr. Kittredge: The witness can compute it. If he won't take my figures, he can compute it for himself.
Mr. Yundt: Well, there was earned in Louisiana $588,681.00, and outside of Louisiana, $744,000.00, the company having earned in that year $1,332,663.00.
Mr. Kittredge: Are not those the 1919 figures?
Mr. Yundt: Yes.
Mr. Kittredge: I asked for 1917.
Mr. Yundt: In the year 1917, there was earned in Louisiana $779,707.00 and outside of Louisiana, $763,550.00. These are round figures, of course, which indicates that we fell off only $19,-

000.00 outside of the state; but we fell off by $191,000.00 in the State of Louisiana, so the big loss was in Louisiana, or the big falling off in net earnings was in Louisiana.

Mr. Kittredge: Now, you have not yet answered my question. What percentage did you earn outside of Louisiana in 1917? Is it not 2.09 percent?

Mr. Yundt: I do not know.

Mr. Kittredge: I thought you were figuring that?

Mr. Yundt: No, sir, I just took——

Mr. Kittredge: That was my question.

Mr. Yundt: No; you asked me what it would be in the State and outside of the state.

Mr. Kittredge: Yes.

Mr. Yundt: Now, you want that in terms of percentage, do you?

919 Mr. Kittredge: Yes, I do. I told you that I made it 2.09 per cent and I suugest- to you that if you were not willing to take my figures that you compute it for yourself. Now I ask you whether or not that computation is correct.

Mr. Yundt: It will take me some time to figure. If I figured right, it is about 2.06; but I would rather that some one would check my figures on it.

Mr. Kittredge: Will you state from the same pamphlet before you, and on the same page, what the company earned in Louisiana for 1919?

Mr. Yundt: 5.59 per cent.

Mr. Kittredge: How much did it earn outside of Louisiana in 1919. I make it 2.6 per cent.

Mr. Yundt: It is 2.6 or 2.7.

Mr. Kittredge: Then the company earned more than twice as much in Louisiana as it did outside of Louisiana in that year, did it not?

Mr. Yundt: It earned twice the rate.

Mr. Kittredge: In what other states besides Louisiana has your company made applicatio; for increased rates?

Mr. Yundt: I would rather Mr. Chipley would answer you on that.

Mr. Chipley: I will answer that.

Mr. Kittredge: Do you know?

Mr. Yundt: No, sir, I do not know. I know of one.

Mr. Kittredge: What state is that?

Mr. Yundt: Mississippi.

Mr. Kittredge: Isn't it a fact that that is the only state in which you have made any request for advanced rates?

Mr. Yundt: I do not know.

Mr. Kittredge: If the company has made application in any other state, you never heard of it?

Mr. Yundt: I would not know.

Mr. Kittredge: You would not know?

920 Mr. Yundt: Not until I was called as a witness. It is not my application at all.

Mr. Kittredge: Do you mean as one of the executive officers and

its vice-president, and the head of its engineering department that you would not know whether or not the company had made application for increases in any state other than Louisiana?

Mr. Yundt: No; I would not know.

Mr. Kittredge: Would you care to make the statement, Mr. Chipley.

Mr. Chipley: I have not the slightest objection. We have a case pending before this commission and before the Mississippi Commission. In Tennessee, we are preparing to file a petition as soon as we can get through with some of the seven petitions that are now pending elsewhere. Kentucky has no commission with state-wide jurisdiction over telephone rates. I will say further that Georgia and Alabama have decided similar cases in favor of the company and have granted the rates asked for.

Mr. Kittredge: Have you applied for any increase in rates before anybody in the Kentucky cities or otherwise, that have the power and authority to grant them?

Mr. Chipley: As yet, we have not; no, sir. We have to take these things up one or two at a time.

Mr. Kittredge: Did Alabama grant the rate that you asked for?

Mr. Chipley: Practically so. They made some slight alterations in minor details. They were not material, however, and we have applied to the courts for the difference. Georgia granted everything asked for.

Mr. Kittredge: What rate of return did Alabama grant you?

Mr. Chipley: That I do not carry in my mind.

Mr. Kittredge: Is it not 4.95 per cent?

Mr. Chipley: I think not. However, I call the attention of the Commission to the case of Smythe versus Ames, in which the principle is laid down strongly that the earnings in one state
921 have no possible bearing upon what is earned in another state.

Mr. Kittredge: That is a matter of argument.

Mr. Chipley: It is a matter of law.

Mr. Kittredge: Nevertheless it is a matter of argument.

Mr. Chipley: All right.

Mr. Kittredge: What were your earnings in Mississippi for this same period, Mr. Yundt?

Mr. Yundt: I don't know anything about the Mississippi case. I was not a witness in that case, and I have not looked into any of the data, and I don't know anything about that case at all.

Mr. Kittredge: Are you familiar with the division of long distance revenues between the A. T. & T. Company and your company?

Mr. Yundt: I know there is a division, but the details of that division I do not know. It is a matter of accounting. I think Mr. Hoxsey can tell you that.

Mr. Kittredge: Do you know what commission the Cumberland Telephone Company received during the year ending July 31, 1920, on long distance toll business originating in Louisiana at points where the A. T. & T. Company had its own wires? Do you know the rules laid down by the A. T. & T. Company and agreed to by the

Cumberland Company as to the division of those rates—what part it would allow to the Cumberland Company?

Mr. Yundt: No, sir.

Mr. Kittredge: Do you know anything about the Burleson rates?

Mr. Yundt: No, sir; only I think they are the rates now in effect.

Mr. Kittredge: Do you know what they are?

Mr. Yundt: I do not know them. They are all data and on file with the various commissions.

Mr. Kittredge: You do not know them?

Mr. Yundt: It is a matter of reference to the records of the various commissions, and they can easily be ascertained if you wish to have them put in this record, if they are not already here.

922 Mr. Kittredge: Didn't you testify as to those rates here in December?

Mr. Yundt: No.

Mr. Kittredge: H-ve you the data which you were asked to prepare showing the originating and terminating messages in New Orleans?

Mr. Yundt: I have the number of messages that originated in New Orleans, but I do not have the number of incoming messages, because that is something that cannot be gotten except by an immense lot of work. It would take a very long time to compile that information.

Mr. Kittredge: Take a long time to get what?

Mr. Yundt: To get the number of inward messages. I took one month, and found that the number of outward messages from New Orleans, from September 21 to October 20, 1920, was 38,473, according to the traffic record; but according to the check reports there were 31,372, from which it appears that there were quite a number of reverse calls.

Mr. Kittredge: Those were messages using the A. T. & T. wires?

Mr. Yundt: They are all the messages.

Mr. Kittredge: How many of those were transmitted over A. T. & T. wires.

Mr. Yundt: At the time, while the A. T. & T. Company has no wires into New Orleans, and, has, in fact, but very little mileage in Louisiana—it has only 29.7 pole miles in the whole State of Louisiana as of 1920. Now, of the 38,473 messages, only 2,145 were over the lines of the A. T. & T. Company, at some point beyond our lines where the A. T. & T. lines were used. Now, they might have been calls for New York or any other place way beyond our territory. If they had gone to San Francisco, of course, they would have gotten on the A. T. & T. Lines somewhere.

Mr. Kittredge: Can you find the number of messages terminating in New Orleans that come in over the A. T. & T. wires at any point?

Mr. Yundt: No. You would have to take all of the tickets that originate everywhere in the United States and then find our

923 which of those messages were destined to New Orleans, and then you would have to find out whether they were over the A. T. & T. lines a part of the way before they hit the Southern Bell of the Cumberland lines, and that is an utterly impossible job.

Mr. Kittredge: What is the age of the property of your company in Louisiana—the average age?

Mr. Yundt: I do not know.

Mr. Kittredge: What is the average age of the property you have in New Orleans?

Mr. Yundt: I do not know:

Mr. Kittredge: You are familiar with the contract your Company has with the Western Electric Company?

Mr. Chipley: May it please the Commission, that contract is on file and speaks for itself, and I object to this witness undertaking to give his understanding about it.

Mr. Kittredge: I didn't ask him to testify about it; I asked him if he was familiar with the contract.

Mr. Yundt: I am, to a very limited extent.

Mr. Kittredge: Haven't you testified that you were the head of the engineering, or practically the head of the construction department of this company?

Mr. Yundt: I don't recall that I did; but engineering is a part of my duties, yes, sir, the chief engineer reporting to me.

Mr. Kittredge: Well, you have charge of the construction department?

Mr. Yundt: Yes, in that the construction forces are headed by a general superintendent of plant, who also reports to me.

Mr. Kittredge: Then you have charge of the physical property and material such as you have testified here today, such as wire and poles, and all other things of that character?

Mr. Yundt: Yes; that is true.

Mr. Kittredge: Don't you buy most of those things under that Western Electric Company contract?

924 Mr. Yundt: We do. The Western Electric either furnishes or buys most of our stuff for us?

Mr. Kittredge: It buys a great part, almost one hundred per cent of the stuff for it?

Mr. Yundt: It buys a great part, yes.

Mr. Kittredge: It buys much more than it manufactures, does it not?

Mr. Yundt: Yes, only fifteen per cent, as I recall it—just about fifteen per cent of the material that we get is made by the Western Electric Company.

Mr. Kittredge: And the balance it buys for you?

Mr. Yundt: Yes.

Mr. Kittredge: You are, therefore, rather familiar with that contract if you have all to do with the practical end of the company, are you not?

Mr. Yundt: Well, I have read the contract. I went over its terms and conditions. I reviewed the rates as specified therein and recommended that the contract be accepted. Now just to that extent am I familiar with it.

Mr. Kittredge: Upon your recommendation accepted it?

Mr. Yundt: I don't know. I made a recommendation. I think others may have had a greater bearing.

Mr. Kittredge: What amount of property of every description did you buy from the Western Electric Company last year, the calendar year 1920?

Mr. Yundt: Probably as much as $6,000,000.00 for the Southern Bell and Cumberland Companies combines.

Mr. Kittredge: For the Cumberland Company, I asked?

Mr. Yundt: About one-half of that; about $3,000,000.00.

Mr. Kittredge: How much did you buy the year before through them?

Mr. Yundt: I don't remember.

Mr. Kittredge: How much did you buy in 1918?

Mr. Yundt: I don't remember.

Mr. Kittredge: Did you buy about the same amount that you bought last year?

Mr. Yundt: No. We bought a great deal last year, and in
925 1919 more than we did in 1918, because we were under government control in 1918 and purchases were very much diminished during that period.

Mr. Kittredge: Well, the government had you for one-half of the period 1918-1919, did it not?

Mr. Yundt: It had us for one year of the two calendar years.

Mr. Kittredge: What I wanted was what you bought during the one year made up of the two halves of 1918 and 1919.

Mr. Yundt: I have not the slightest idea.

Mr. Kittredge: Do you know what you bought in 1917?

Mr. Yundt: No, sir.

Mr. Kittredge: What is the average commission you paid them on what they bought for you last year?

Mr. Yundt: I don't know. Mr. Hoxsey has the figure on that, I think.

Mr. Kittredge: Is that figure in the contract?

Mr. Yundt: The rate for purchases varies on different kinds of material, or different classes of material; but it is all specified, I think, in that contract.

Mr. Kittredge: Who repairs and maintains the telephone apparatus that you rent from the A. T. & T. Company?

Mr. Yundt: The A. T. & T. Company?

Mr. Kittredge: How is that done?

Mr. Yundt: The instruments are returned by us to the Western Electric Company. They repair them for the A. T. & T. Company.

Mr. Kittredge: What do you mean in that contract by the words "defective instruments"?

Mr. Yundt: Well, transmitters get to the point where their transmitting qualities are lowered, and they may also have structural defects as well as transmitting defects, and those are things which we not only cannot regulate and correct, but are asked not to attempt to correct, because the whole basis of the transmission of speech, or the whole foundation for the transmission of speech is those two instruments, and they must be up to the standard grade or quality. The A. T. & T. Company assures that quality to us, and they don't want us to fool with them in any way.

926 Mr. Kittredge: You mean, then, if you get in an instrument with a transmitted, or mouth piece, or ear piece in any way defective, they want you to return it to them for repair?

Mr. Yundt: Yes; unless it is a minor repair, like a diaphragm or something of that sor-; but where there is a structural defect or an electrical defect, they request that the instruments be returned to them for repair.

Mr. Kittredge: All of the minor repairs of the instruments, then, is borne by the Cumberland Company?

Mr. Yundt: There are a great many little things that we do; mouth pieces that we replace, and some parts of the receiver, but that is about all.

Mr. Kittredge: Under that contract, how much do you pay the A. T. & T. Company for each instrument or desk set that they lend you?

Mr. Yundt: Mr. Hoxsey introduced that testimony. I don't know how much it amounts to. I did see the figures, but I don't recall what they are. However, it is in evidence here.

Mr. Kittredge: How much does it cost you, or cost the company, a year to maintain those instruments and keep them in repair?

Mr. Yundt: It costs us practically nothing.

Mr. Kittredge: What is the cost to maintain them in repair per year,—those instruments?

Mr. Yundt: Well, as we do practically nothing to them, it cannot be much. If a man visits a station on telephone trouble, he may put in a new mouth piece, or he may look at the receiver, and in making his report to the office, he may find that this receiver does not seem to come up like it should, and he might look at the diaphragm and clean it out and such as that. There may be particles of iron that get in there, and a few minor things such as that; but that is all that we ever do to them.

Mr. Kittredge: About what does it cost to maintain an instrument and keep it in repair during the year, whether you pay the cost or the A. T. & T. Company pays the cost?

927 Mr. Yundt: I made an estimate, and it was introduced here in December, that it would cost us about $1.37 per year er station in Louisiana to care for all the instruments at subscribers' stations, those in stock for emergencies, and those at all of the switchboards—averaging it out on the basis of the stations in service. Of course, there are a good many thousands of instruments which are carried in stock, and then there are a large number of instruments for central office use. Nearly every operator has her own set.

Mr. Kittredge: You mean a large number of instruments carried in stock as a surplus, over and above what you have actually in use?

Mr. Yundt: They are carried for emergencies, because stations are sometimes left in when we are not able to always take them out promptly, and it is necessary, on account of the growth of the system, that we carry a supply sufficient to keep us running at all times. Therefore, it is necessary that we always have a balance on hand.

Mr. Kittredge: What proportion are they to the whole that you have in use?

Mr. Yundt: I figure it about five per cent. Now, as a matter of fact, we had a little over five per cent in stock on the fifteenth of June, this year. It varies.

Mr. Kittredge: How much over five per cent?

Mr. Yundt: I would have to calculate it.

Mr. Kittredge: Well, is it one per cent, or over that?

Mr. Yundt: It is about 5.5 per cent to six per cent.

Mr. Kittredge: How did you arrive at that cost of $1.37 for maintaining each telephone during the year?

Mr. Yundt: I first found out how many transmitters and receivers and induction coils there were of all kinds in the state, and then applied the price to each, and then divided by the number of stations in service. I used an annual charge rate of twenty per cent, I think.

Mr. Kittredge: Isn't that high?

Mr. Yundt: I think not.

928 Mr. Kittredge: What is the value today of the portion of the telephone instruments that the Cumberland Company rents from the A. T. & T. Company?

Mr. Yundt: The average investment for transmitters and receivers and induction coils at the stations, in stock, and for the switchboard and induction coils for operators' transmitters and receivers I figured out and divided by the number of stations in service, which gave $6.86 per working station.

Mr. Kittredge: I asked you for the value per station of such portions of the instruments as you rent from the A. T. & T. Company?

Mr. Yundt: Well, you get all of that——

Mr. Kittredge: I understood you to say that you get the mouth pieces, the ear pieces, and the induction coils from them?

Mr. Yundt: Yes, we get all of them. We have to have instruments in the central office for the operators. Each operator has her own set; each switchboard position has its own set; private branch exchange and switchboards have their own sets, as well as all test desks; all repair men have instruments. This is a telephone business and you have telephone instruments all over the plant. Now, they are all furnished in connection with the stations in service, because you have to have them.

Mr. Kittredge: They are all furnished by the A. T. & T. Company?

Mr. Yundt: Yes.

Mr. Kittredge: What was the cost per telephone of what they furnished you in 1919?

Mr. Yundt: I don't know; I didn't work it out.

Mr. Kittredge: Cannot you work it out?

Mr. Yundt: I haven't the data.

Mr. Kittredge: Who can work it out?

Mr. Yundt: Well, the general auditor could supply from the records the number of instruments that were in use in any month, and what were in stock in any month; and from the engineer's data,

we would get the number of switchboard positions, and by
929 gathering all of that data, together with an ascertainment of the *of the* number of special station sets in stock, we could finally arrive at a figure.

Mr. Kittredge: Why would you need all of that to tell what one of them cost—what was the market price of one instrument that they supplied you? I don't want to know how many you had of them, but I would like to know the cost of one of them in 1918.

Mr. Yundt: I don't have it for 1918. The market price to us for the receiver is $2.50, that is, for a subscriber's station receiver.

Mr. Kittredge: $2.50 when?

Mr. Yundt: That is the price now, and was in effect for some months of 1920.

Mr. Kittredge: That is one portion of the instrument that you rent from the A. T. & T. Company?

Mr. Yundt: Yes, we could buy them at that price. That is the most favored price.

Mr. Kittredge: Then in 1919 the unit price of the telephones that you rented from them you could buy for $2.50?

Mr. Yundt: I don't know about 1919. They may have been less.

Mr. Kittredge: Were they not less?

Mr. Yundt: They may have been; I don't know.

Mr. Kittredge: Well, what were they worth in 1918 and 1917?

Mr. Yundt: I know that in 1917 they were less. I know there have been two price changes since 1917.

Mr. Kittredge: But what were they in 1917?

Mr. Yundt: I don't know.

Mr. Kittredge: Do you know what they were any year before that?

Mr. Yundt: No, I don't recall. I have known of the increasing price because I get the quotations.

Mr. Kittredge: I wanted the average price of the telephone apparatus that you rent from the A. T. & T. Company under that contract. It seems to me that you should have it here, or be able to furnish that data without much difficulty.

930 Mr. Yundt: I gave you that as $6.86.

Mr. Kittredge: I thought you just gave it to me as $2.50?

Mr. Yundt: You wanted to know what one instrument costs now, and I said that that particular portion of that instrument cost $2.50 today—the receiver.

Mr. Kittredge: Well, what is the transmitter worth, or what does the transmitter cost, and what does the induction coil cost?

Mr. Yundt: A receiver is $2.50; transmitter is $2.70; and an induction coil is $1.10, for subscribers' stations, instruments and coils; a central office switch board operator's receiver is $4.00; the operator's transmitter is $4.50; and the central office switchboard position induction coil is $4.00.

Mr. Kittredge: That makes the property per unit of the telephone that you rent from the A. T. & T. Company cost you $6.85 if you buy it?

Mr. Yundt: Yes, sir.

Mr. Kittredge: What did that same property cost you in 1919?

Mr. Yundt: I don't know.

Mr. Kittredge: Why did you make it up for today and not last year, as your figures show comparisons all the way through your testimony?

Mr. Yundt: Because the date of inquiry was as of December, 1920, and not as of some previous date.

Mr. Kittredge: Which inquiry?

Mr. Yundt: The date of this hearing, which was as of December, 1920.

Mr. Kittredge: Then why did you make up all other comparative figures from 1914 to date?

Mr. Yundt: I didn't go into the property of some other person.

Mr. Kittredge: Didn't you go into the property of the express company and the railroads?

Mr. Yundt: I did not.

Mr. Kittredge: You didn't go into the rates of those corporations and of their charges?

931 Mr. Yundt: I did not.

Mr. Kittredge: Didn't your associate, Mr. Hoxsey, do so?

Mr. Yundt: I don't so recall.

Mr. Kittredge: Do you know?

Mr. Yundt: I know he didn't go into the railroad property?

Mr. Kittredge: You know that there was testimony given here——

Mr. Yundt: I know that he made some reference to express and freight rates, but that is all that he did, to my recollection. I might have referred to freight and express and passenger rates as being an element of cost.

Mr. Kittredge: You, then, only went into the prices concerned with your property with this Commission?

Mr. Yundt: That is all that we have up for consideration—our own property.

Mr. Kittredge: As a matter of fact, won't you say that the cost price of all that you rent from the A. T. & T. Company would average about $3.50 on the twenty-fourth day of February, 1921, per unit, or per station, or whatever name you call it by?

Mr. Yundt: No.

Mr. Kittredge: You are sure that the cost price to your company could be $6.85 today for the property that you rent from the A. T. & T. Company, per station, or per telephone, as I believe you call it?

Mr. Yundt: That is what we would have to pay if we wanted to buy it, and that would be the most favored price under the Western Electric agreement; without that agreement we would have to pay more, or not get it at all. We would either have to pay a greater price than that, or take something less desirable.

Mr. Kittredge: You don't know what the most favored price would have been last year, though, or the year before last, or any years when prices were lower than they are now?

Mr. Yundt: Yes. I have here the detailed prices of what
932 the average would be per station. Now, those instruments in 1919 would have cost: receiver, $2.10; transmitter, $2.25; induction coil, 95 cents, for subscribers' station apparatus.

Mr. Kittredge: How much would that have made?

Mr. Yundt: $5.30.

Mr. Kittredge: Per telephone?

Mr. Yundt: For that set, but not per telephone, because it makes no allowance for stocks or for switchboard instruments which must be provided, and the working sets. The central office receiver for operators' use would have cost $3.30; transmitter, $3.75; and induction coil, $3.75.

Mr. Kittredge: When was that?

Mr. Yundt: 1919.

Mr. Kittredge: What would that have averaged per telephone?

Mr. Yundt: It would have brought the $6.86 down to around $6.00; but then we did not buy them in 1919. If we were going to buy them, we would have had to buy them on those prices.

Mr. Kittredge: Are you buying them to-day?

Mr. Yundt: No, sir.

Mr. Kittredge: Then you did make it up for another year, did you not?

Mr. Yundt: No. I did not. I only made it up for that year, that particular year, the date of the inquiry.

Mr. Kittredge: What year was the date of that inquiry?

Mr. Yundt: 1920. It was during 1920 that the preparation for this hearing was commenced.

Mr. Kittredge: Why did you make it up for 1920 if you were not going to buy any of them?

Mr. Yundt: Simply to find out what would be the cost of the instrument if somebody asked, just as you are now doing.

Mr. Kittredge: Why didn't you make it up for the past years so as to compare prices, as you have done in all of your other testimony, in case somebody asked you about it, as I am now doing?

933 Mr. Yundt: Because that was not going to be a matter of inquiry.

Mr. Kittredge: It so happens that you made it up at the highest prices, at the peak prices. Is that the idea.

Mr. Yundt: I made it up at the current prices.

Mr. Kittredge: At the peak of the war high prices, was it not?

Mr. Yundt: I don't think that it is; they may go even higher.

Mr. Kittredge: But you have no idea of what the Cumberland Company under this contract with the A. T. & T. Company paid them in rental per station, or per telephone?

Mr. Yundt: I believe there was introduced testimony on that point. I know there was introduced some testimony, but whether by myself or by Mr. Hoxsey, I don't recall. As to how much was paid and what it amounted to per telephone, it should be in the record. Somebody did introduce it; I know, and it is in evidence.

Mr. Kittredge: The rental of what the company paid for each station?

Mr. Yundt: Yes. It was figured out per station; it was even figured out, as I recall it, down to the basis of per station per day.

Mr. Kittredge: How much in commissions did the Cumberland Company pay the Western Electric Company last year?

Mr. Yundt: I don't know.

Mr. Kittredge: You never were interested in figuring what commissions you paid them on this $6,000,000.00 worth of property that they bought for you.

Mr. Yundt: Oh, yes.

Mr. Kittredge: Then how much was it?

Mr. Yundt: I don't recall. It may be that Mr. Hoxsey has that figure. I don't know. It is easily ascertainable and given for each month, as I recall it.

Mr. Kitttredge: What were you paying your average telephone operator in New Orleans in 1915, 1916 and 1917?

Mr. Yundt: I did have that data. In 1919, as of December 31, that would be the month of December, we had in New Orleans 297 operating room employees, at the switchboard and supervisory forces, etc., and they were paid $2,114.21 a week; and there were 27 supervisors who were paid $246.90 a week, total, which gives an aggregate of 324 people——

934 Mr. Kittredge: I mean the operators, and not the supervisors?

Mr. Yundt: Well, the supervisors assist at the operating. There is one for each eight or nine operators. You must have them.

Mr. Kittredge: But they are much higher priced labor than the average operator, are they not?

Mr. Yundt: Well, they got $8.50 per week; get from two to three dollars a week more than an operator—that was a little over seven dollars a week.

Mr. Kittredge: An average, you mean?

Mr. Yundt: Yes, an average; a little over $7.00 a week.

Mr. Kittredge: When was that?

Mr. Yundt: December, 1915. Now, on the first of February, 1920, we had in New Orleans 556 switchboard employees, that is, operators getting $7,171.50 a week, basic pay, and fifty supervisors getting $864.00 a week, basic pay; and in addition to which, there were de-ferentials paid for early evenings, late evenings, and night operators one dollar and two dollars a week, extra,—that doesn't seem to be shown here—which would apply to about sixty per cent of the force. They got an average of $13.00, or a total of $8,015.00 a week, paid to 606 people, an average of $13.23 a week, to which should be added $1.50 a week for the average employee for early evenings, late evening, and night duty; de-ferentials, which would be in the neighborhood of $14.72 per week per operator, as compared with $7.00 a week just a few years ago. Now, when you look into what that means, you get this: On December 31, 1915, we had 23,032 stations in New Orleans, and just the operators' wages, without the supervisors—leaving out the supervisors—the average cost per station per month at that weekly wage rate was 39.4 cents. February 1, 1921, there were 33,710 stations, and we had 658 operators, and

they got $9,094.56 a week, which gives us a cost of $1.17 per station per month. Now, the difference between 1915 and 1921 is 78 cents per station per month, and multiplying that by twelves, makes
935 $9.36 per station increased cost for just for the increases in wages of operators alone. This does not include the de-erentials or the supervisory people, but just the plain operators, the basic structure of the traffic organization. In other words, there is $9.36 per station per year increase in expense over 1915, just among these girls.

Mr. Kittredge: How and where do you get your data to arrive at that conclusion that it costs you twenty per cent a year to repair a telephone apparatus per station that you rent from the A. T. & T. Company?

Mr. Yundt: I got that from an investigation that we made several years ago at the Western Electric factory, or repair depot, there in Atlanta. The question had arisen whether we should return the sets of instruments to the Western Electric Company for repairs or whether we could not buy standards or get standards from the A. T. & T. Company and set up at central points our own repairing stations for those instruments, thereby avoiding the shipping in from the field of these instruments to Atlanta, where they were repaired by the Western Electric Company for the A. T. & T. Company, and if they could not repair them there, they were shipped to New York. In that investigation I found out a great deal about the cost of repairing these instruments. Then, of course, there is included an interest rate in this cost of ownership which together with the administration of the property and depreciation, and all on the average rate such as our property undergoes, and experience indicates that those costs covering those instruments would approximate twenty per cent.

Mr. Kittredge: On the value of the instruments?

Mr. Yundt: Yes.

Mr. Kittredge: When was that?

Mr. Yundt: Well, I made that this past year. I didn't make this investigation this past year, no.

Mr. Kittredge: When did you make the investigation?

Mr. Yundt: I made the investigation into what work would have to be done on instruments—we made that about four years
936 ago; but the calculations on the cost I made this past year, as to what percent it would be.

Mr. Kittredge: Then, four years ago, when you made the calculations as to what percentage of the cost, hoe much did you put the instruments at?

Mr. Yundt: I did not make the calculations at that time, because the question of instrument service was not up. I was finding out what work was involved.

Mr. Kittredge: Finding out whether it would be cheaper, I believe you said, and yet you did not include the value of the instruments at the time when you were on that work?

Mr. Yundt: I was finding out whether we could repair the instruments in the field cheaper than we could have them sent in and repaired for nothing by somebody else. That was the point, be-

cause we have to pay the freight. Now, then, if we are going to box up these instruments and ship them in for repairs and any changes for which we get new ones, there is nothing involved in the way of expense. The only question involved was as to whether we could repair those instruments in the field at our own expense at a less cost than we could ship them in and have them repaired for nothing by the A. T. & T. Company. I found that we could not. So the basic price of the instrument had nothing to do with that investigation.

Mr. Kittredge: How old is this A. T. & T. contract?

Mr. Yundt: I do not know.

Mr. Kittredge: When did you make the first one?

Mr. Yundt: It antedated my connection with the company.

Mr. Kittredge: How long have you been with the company?

Mr. Yundt: It will be twenty-two years in August.

Mr. Kittredge: What is the idea and economy to the public by having the Southern Bell Telephone Company own the Cumberland Company?

Mr. Yundt: I don't know anything about that.

Mr. Kittredge: What is the economy to the public and what is the economy in the administration of the property in having the A. T. & T. Company own both the Southern Bell and the Cumberland?

937 Mr. Yundt: I don't know anything about that.

Mr. Kittredge: Aren't you Vice President of both the Southern Bell and the Cumberland Companies?

Mr. Yundt: I am, but as to the economy of the A. T. & T. Company being the owner of the stock as compared with the economy of having somebody else own the stock, I am not in position to pass on that.

Mr. Kittredge: Are you not a member of the board of directors and vice-president?

Mr. Yundt: No.

Mr. Kittredge: You are not a member of the Board of Directors of the two companies?

Mr. Yundt: No, sir.

Mr. Kittredge: What is the economy, then, I repeat, of having the Southern Bell own the Cumberland, where you are a member or an officer of both companies?

Mr. Yundt: That was explained by Mr. Hoxsey at the last hearing, and he can tell you of the reasons for that.

Mr. Kittredge: Cannot you tell me?

Mr. Yundt: No. I don't want to.

Mr. Kittredge: You don't know the reasons?

Mr. Yundt: I know one of them, which was told at the hearing here in December.

Mr. Kittredge: Will you repeat it for us, please, if it is not your reason?

Mr. Yundt: No, it is not my reason. Mr. Hoxsey is present, and can give it to you, or it can be read to you out of the record again, if you wish.

Mr. Kittredge: I don't remember that being in the record. Have you any reason to put forth as to any economy and benefit to the public in having the Southern Bell own outright the Cumberland and in having the A. T. & T. Company own outright the Southern Bell?

938 Mr. Yundt: No.

Mr. Kittredge: Have you any reason to put forth as to the economy and benefit to the public in the Southern Bell owning outright and in the A. T. & T. Company owning the Southern Bell outright?

Mr. Yundt: No.

Mr. Kittredge: You don't know the reason, or you don't want to tell it.

Mr. Yundt: I repeat, that is something that Mr. Hoxsey knows, and I do not. He is the financial man of the company, and I am not.

Mr. Kittredge: I might prefer it from you for that very reason. What is your idea of the benefit flowing to the public, who pays the bills, for both companies, by having this interlocking of ownership, the Cumberland being a dummy in the possession of the Southern Bell, and the Southern Bell being a dummy in the possession of the A. T. & T. I would like your idea of where the economy comes in. You are an executive officer of both companies and certainly you have some surmise in the matter, even if you have not any actual knowledge.

Mr. Chipley: Go ahead and answer the question, if you do know.

Mr. Yundt: I do know one of the reasons.

Mr. Kittredge: I am glad he gave you permission to answer.

Mr. Yundt: The Cumberland Company is a separate organization. It has its own bonds operating as a mortgage on its property. The Southern Bell is a separate organization. Now, there might be one organization, but the Southern Bell would have to liquidate the Cumberland mortgage at the premium stipulated in the mortgage bonds and then issue its own new bonds at another floatation commission. Now why should that be done? It would just mean the spending of hundreds of thousands of dollars, with no useful purpose accomplished whatever?

939 Mr. Kittredge: The Southern Bell, then, would rather have the dividends earned by the Cumberland Company than to be its financial sponsor. Is that the idea?

Mr. Yundt: That has nothing to do with it.

Mr. Kittredge: I thought that is what you are asking the increase in the Cumberland dividends for, for the benefit of the Southern Bell?

Mr. Yundt: No such thing.

Mr. Kittredge: Who will get the benefit of these increased dividends, if they are increased?

Mr. Chipley: Nobody has asked for increased dividends at any state of the case.

Mr. Kittredge: There is not a request before the Commission for a larger rate, so that you can increase the dividends?

Mr. Chipley: No. There is an application before the Commission for increased rates so that we can pay the same dividends that we have been paying. Of course, it naturally follows that the Southern Bell, as the stockholders of the Cumberland's stock, will get the benefit of the dividends, if, and when they are paid; but nobody is asking for increased dividends.

Mr. Kittredge: The dividends of the Cumberland Company to the extent of about 99.5 per cent would be paid to the Southern Bell Company, would they not, the Southern Bell owning, as I understand it, that portion of the Cumberland's stock.

Mr. Yundt: Mr. Hoxsey can tell you what that proportion is, I don't know.

Mr. Kittredge: You don't understand my question. I asked you if the Southern Bell does not collect on its ownership of 99.5 per cent of the stock of the Cumberland Company 99.5 per cent of the dividends paid by the Cumberland Company.

Mr. Yundt: It would collect its proportion, whatever that proportion may be. I don't know what it is.

Mr. Kittredge: Are you a stockholder of the Cumberland Company?

940 Mr. Yundt: No.

Mr. Kittredge: How did you happen to be its vice president without being a stockholder?

Mr. Yundt: Because I have been so appointed by the board of directors.

Mr. Kittredge: Does the Cumberland's charter permit one not a stockholder to be an officer of the company?

Mr. Yundt: I do not know.

Mr. Kittredge: Doesn't the A. T. & T. Company, in turn, collect 99.5 per cent of the dividends paid by the Southern Bell Company? Isn't that a fact?

Mr. Yundt: I presume it collects the dividends of the Southern Bell Company in the proportion of its stock ownership. What that stock ownership is I do not know.

Mr. Kittredge: You don't know what percentage of the stock of the Southern Bell the A. T. & T. owns?

Mr. Yundt: No. That is a financial matter in which I have no interest and I know nothing about it.

Mr. Kittredge: Are you prohibited from testifying about financial matters?

Mr. Yundt: Not at all; but I just don't know.

Mr. Kittredge: Don't you know that with the same degree of certainty that you do many another fact that you have testified about?

Mr. Yundt: No.

Mr. Kittredge: Haven't you gotten many a fact here from other employees of the company and from records that you did not make and did not keep yourself?

Mr. Yundt: No. The only accounts which I got are from the plant accounts which are furnished me every month.

Mr. Kittredge: But you do not keep the books of those accounts?

Mr. Yundt: No.

941 Mr. Kittredge: Then I ask you again if you do not know the answer to my question with the same degree of certainty that you do most of the other things that you have testified about here?

Mr. Yundt: No, because I have never gone into the financial matters.

Mr. Kittredge: Don't you believe what Mr. Hoxsey testified to?

Mr. Yundt: Yes, but I don't know what he testified to. I was not even in the room when he testified.

Mr. Kittredge: Have you never heard him testify to the fact that the A. T. & T. Company owns all of the Southern Bell Company's stock?

Mr. Yundt: I don't recall.

Chairman Taylor: It looks to me like we are wasting a great deal of time. You have a perfect right, Mr. Kittredge, to call Mr. Hoxsey to the stand to have him testify as to what the stock relationship of these companies is. This witness has said that he is not a financial man, and it looks to me like it is just a waste of time to keep on insisting that he answer these financial questions when Mr. Hoxsey, the financial man of the company, is right here and subject to your examination at any time that you want to put him on the stand. Of course, if this witness knows the facts of his own knowledge, he can testify; but I don't know whether it is proper for him to testify on what he has heard Mr. Hoxsey testify to, or not. It appears to me that you are encumbering the record with a great deal of evidence that is not material to the issue at all.

Mr. Kittredge: Hasn't he testified to many other things here that he does not and could not possibly know of his own knowledge?

Chairman Taylor: He has testified from the books of the company, but he is an operating man and not a financial man.

Mr. Kittredge: Hasn't he testified otherwise than from the books of the company? Of course he has, repeatedly; repeatedly, your Honor.

Chairman Taylor: Well, he has testified to things that the books show; but you are questioning him about a proposition an-

942 other witness has right at his finger tips, and this man tells you that he is not familiar with that part of the company's operations at all. I see no use in your continuing to press the question that is not within his jurisdiction.

Mr. Chipley: It is admitted that the A. T. & T. Company owns all of the stock of the Southern Bell, and it is admitted that the Southern Bell owns substantially all of the stock of the Cumberland Company. Now what is the use of going along here and driving hour after hour on a matter that is not in dispute at all? We admit it.

Mr. Kittredge: My surprise is that you ask that of me, I have a purpose in asking these questions of this witness; otherwise, I would

not ask them. I know that the witness knows it and you know that he knows it, and he known himself that he knows it.

Mr. Yundt: I do not.

Mr. Kittredge: It was testified to here, and it was admitted by counsel.

Mr. Taylor: Well, if it has been testified to, and if it has been admitted, what on earth is the use of taking up a lot of time and encumbering the record with it?

Mr. Kittredge: Are you the owner of any of the stock of the A. T. & T. Company?

Mr. Yundt: I am buying forty shares. I don't own any of it yet.

Mr. Kittredge: Is it in your name?

Mr. Yundt: I hope to have possession of it when it is paid for. It is at the bank at the present time as collateral.

Chairman Taylor: Well, that is a perfectly legitimate transaction. I know of no reason why he should not own stock in the A. T. & T. Company, or any other company that he is fortunate enough to buy stock in. Those things are done every day.

Mr. Kittredge: Of course it is legitimate, Mr. Chairman.

Chairman Taylor: But you have been going along here for half an hour trying to make this man testify to things that Mr. Hoxsey testified to.

943 Mr. Kittredge: I am only doing what I have a right to do, sir.

Chairman Taylor: You have a right to pursue any legitimate line of examination to a reasonable extent, certainly; but when a man tells you flat footedly that he doesn't know anything about a proposition and that there is somebody else present who does know about it, you are just wasting time when you instist on this man going through with it.

Mr. Kittredge: I am cross examining the witness, as I have the right to do, in a perfectly fair and legal way; and——

Chairman Taylor: Yes, and Mr. Yundt responded in a fair way and told you that he didn't know. On this particular question he has told you half a dozen times that he didn't know; but you are persisting in your efforts to make him testify concerning things which he says he has no knowledge of, and that is going beyond the rule of reason.

Mr. Kittredge: I was not doing that,—I was not conscious of it in any event.

Chairman Taylor: Possibly you were not conscious of it, but you were doing it nevertheless. The record will show that you asked him six or eight times regarding the same matter and each time he told you he didn't know. I hope that counsel will proceed without calling on the Commission to take such a position as this again, because we have no desire to cut anybody off in any legitimate examination. We have been getting along very nicely so far with the case; and I hope we can keep it up. Mr. Yundt is an operating man, and he told you so; and I am quite sure that Mr. Yundt, like the rest of the operating people who come before this Commission,

know but very little about the financial end of their companies. They have troubles of their own without going into somebody else's jurisdiction.

944 Mr. Kittredge: But he is vice president of this corporation. It is a great surprise to me that he doesn't know it, but my inquiry was along legitimate lines of cross examination. I am not examining a subordinate here, but I am talking to a vice president of the operation, who is presumably familiar with the affairs.

Chairman Taylor: Well, please proceed.

Mr. Kittredge: Mr. Yundt, what dividends does the A. T. & T. stock pay?

Mr. Yundt: $8.00 per share.

Mr. Kittredge: What dividend have they earned?

Mr. Yundt: I do not recall. I have seen the reports, but I do not recall at this minute.

Mr. Kittredge: You don't know whether they earned more than that or not?

Mr. Yundt: Oh, yes, I know they earned more, but how much more I do not recall. My recollection is that it was something around 11%.

Mr. Chipley: Mr. Yundt, we used in our expense figures a composite figure for depreciation of 6.07%. How was that figure arrived at?

Mr. Yundt: That figure was arrived at by applying to the property of each kind actually in the investment the rate of depreciation for that kind of property, thus finding the amount that should be reserved for each of the kinds of property; adding that up and dividing it by the total property account, which gave 6.078% for the State of Louisiana for the year ended July 31, 1920.

Mr. Chipley: In the Mississippi case, Mr. Wolff, who was a witness, made the point that the New York Telephone Company used a rate of 5% for depreciation. I will ask you if you have gotten the element rates for depreciation used by the New York Telephone Company and applied them to the property of the Cumberland Company within the State of Louisiana; and, if so, what composite figure does it produce?

Mr. Yundt: I took the property account for Louisiana as of the same date, July 31, 1920, and, applying the New York
945 Telephone Company's element depreciation rates, it required a reserve of $655,236.62, which would be 6.117%.

Mr. Chipley: Which is larger than the composite figure that we have used?

Mr. Yundt: About $4,200.00 more the amount we set up.

Mr. Chipley: Now, is there any conflict between that and the statement that their composite figure applied to their property in New York is 5%, while our figure is 6.07%?

Mr. Yundt: None at all.

Mr. Chipley: State briefly why not?

Mr. Yundt: Because it is the kind of property, having arrived at the amount of property of each kind, which, if cared for at its own

depreciation rate, will give you the resulting average for the whole. Now, if they have more underground conduit and more underground cable and more land and buildings than we have their rate would properly be in the neighborhood of 5%, whereas ours on the same basis, is in the neighborhood of 6%.

Mr. Kittredge: Why should the rate of depreciation on your property be greater than in New York?

Mr. Yundt: For the reason that in this territory, where you have more poles and more open wires and more aerial cable, and a lesser amount of underground conduit and land and fireproof buildings, you would naturally have a higher rate of depreciation on the composite property than you would have if you were to reverse the conditions.

Mr. Kittredge: As a matter of fact, though, don't the improvements and new property in New York cost more in labor and material than it does in Louisiana?

Mr. Yundt: That has nothing to do with the depreciation rate.

Mr. Kittredge: But does it cost more, I ask you?

946 Mr. Yundt: I don't know.

Mr. Kittredge: Isn't labor higher in New York than here?

Mr. Yundt: I believe it is. I know that the wage rates are higher. I don't know what the final cost is.

Mr. Kittredge: Aren't poles higher in New York than here?

Mr. Yundt: I don't know.

Mr. Kittredge: Isn't a great part of the property in New York, classified as exchange property down here, classified there as toll property, on which the rate of depreciation is much less than on exchange property?

Mr. Yundt: I don't know that. I do know that the rate of depreciation which we use on toll pole lines is less than it is on town pole lines; also galvanized iron wire out in the country, away from coal smoke and engine gasses, lasts longer than it does in the towns. So, the depreciation rate which we use is lower for the country property.

Mr. Kittredge: Isn't it a fact that the State of New Jersey in its last decision—the Commission limited the rate of depreciation of the New York Telephone Company to 5%?

Mr. Yundt: I don't know. I haven't heard of it.

Mr. Kittredge: You are not familiar with the New Jersey rate decisions?

Mr. Yundt: No, sir.

Mr. Kittredge: Isn't that the statement made by Mr. Mark Wolff in the Mississippi case?

Mr. Chipley: Mr. Yundt was not in the Mississippi case and knows nothing about what Mr. Wolff testified to there.

Mr. Kittredge: I thought he testified there.

Mr. Chipley: He did not.

Mr. Kittredge: That is all for Mr. Yundt, Mr. Chairman.

Chairman Taylor: You are excused, Mr. Yundt.

Witness excused.

947 Mr. J. M. B. HOXSEY was called for further cross-examination, and, having been previously sworn, testified as follows:

Mr. Kittredge: Mr. Hoxsey, referring to your Exhibit No. 1, statement of the average investment and total revenue and expenses in the State of Louisiana, will you please state how the average investment was determined?

Mr. Hoxsey: By adding together the investment at the beginning of the year and that at the end of the year in question and dividing the result by 2.

Mr. Kittredge: What does the average investment represent?

Mr. Hoxsey: The average investment represents the cost of the physical property, less an item of about $55,000.00, written off in the year 1910, as the result of an appraisal, plus the working capital. It includes tools, teams, furniture and fixtures, and matters of that sort.

Mr. Kittredge: What was the amount of that appraisal in 1910?

Mr. Hoxsey: I believe I have here only the figures of increase and decrease—not the amount of the total appraisal. The total net decrease was $55,691.59. I have not the figures with me of the total appraisal of the property at the time.

Mr. Kittredge: How much net have you added to the property since 1910?

Mr. Hoxsey: It will take a calculation occupying about five minutes to figure that. Do you wish me to make the calculation?

Mr. Kittredge: I would like to have it.

Mr. Hoxsey: I can give you the approximate figure now, if you wish it. Will it be sufficiently close if it is within one thousand dollars?

Mr. Kittredge: Yes, sir, that is perfectly satisfactory.

Mr. Hoxsey: Approximately $7,998,000.00 has been added since then to the physical property.

948 Mr. Kittredge: Is that net?

Mr. Hoxsey: Yes, sir.

Mr. Kittredge: That is for the State of Louisiana, is it?

Mr. Hoxsey: That is for the State of Louisiana, yes, sir—I beg pardon—there is a figure here which I did not—. I neglected to take one figure into consideration in that calculation. I will do it over. I am sorry to say that I find it impossible to figure it from the data that I have here. I thought I had sufficient data, but I find that I have not, to give you the information. This data is not sufficiently complete to enable me to do it.

Mr. Kittredge: Can you approximate it?

Mr. Hoxsey: I am sorry that I cannot. I have no information in my possession in Baton Rouge which will enable me to give you that figure—even a rough approximation.

Mr. Kittredge: Coul- you telephone or telegraph the office in Atlanta and have the information here tomorrow morning?

Mr. Hoxsey: The total amount—I think so, yes, sir.

Mr. Kittredge: Will you be good enough to do that?

Mr. Hoxsey: Gladly, yes, sir.

Mr. Kittredge: Isn't the term "average investment" under the circumstances, misleading?

Mr. Hoxsey: No, I do not think so. It never occur-ed to me that it was. The object of it is simple. It is not usual to take the investment at the end of a period—the present investment—as the basis for computing return. That method is perfectly all right where you have a property that is not growing, but where a property is growing all the time, like our property is, it would be unfair to the other side of the case to do that because it would give you a smaller return. In other words, the money was earned on a smaller investment than the investment at the end of the year; and consequently we add together the investment at the beginning of the year and at
949 the end of the year and divide by 2, so as to get a fair average figure on which to compute the return. It can be done in more detail than that, but I think it is a perfectly fair method.

Mr. Kittredge: Isn't what you have really an appraisal brought up to date, rather than the average investment, which would represent the money that had been put into the property?

Mr. Hoxsey: No, I do not think so, because an appraisal is made for the purpose of checking an investment, and it was within narrow limits. The figure was substituted on the books as being the investment of the company. Oh, I see now what you—I thought you were talking about the average—you are talking about the investment being misleading. No, I don't think it is.

Mr. Kittredge: I simply used the word "average" as an adjective.

Mr. Hoxsey: I misunderstood you. I thought you were asking whether the use of a word "average" was not misleading, where as I see now you are asking whether the use of the word "Investment" is not misleading.

Mr. Kittredge: That was what I had in mind. What did your company ask to earn on its average investment in Mississippi recently?

Mr. Hoxsey: The rates which we have asked for in Mississippi will produce, according to my best calculations, 5.62% upon the average investment in Mississippi; those rates being the same for the same size exchanges as those we are asking for in Louisiana.

Mr. Kittredge: Is it not 5.25%?

Mr. Hoxsey: That testimony was corrected and brought up to date later. That was in the first hearing, but upon a second revision of the figures the figure was increased to 5.62%.

Mr. Kittredge: What was the per cent of net earnings to average investment in Louisiana for the year ending July 31, 1920?

Mr. Hoxsey: 5.92% as I recall it. I can give you the exact figure on it in a moment. That is correct, yes, 5.62%?

950 Mr. Kittredge: Then you earned in Louisiana for the year ended July 31, 1920, three-tenths of one per cent more than you are asking to be permitted to earn in Mississippi under the advanced rates in that state? Is that correct?

Mr. Hoxsey: It is a fact that the same rates which we are asking for in Mississippi will produce a return of three-tenths of one per cent less than the return in Louisiana last year, bearing in mind,

however, that they are the same measure of rates that we are asking for in Louisiana.

Mr. Kittredge: What rate are you asking to be permitted to earn in Louisiana?

Mr. Hoxsey: The rates we are asking to be made effective in Louisiana, according to my testimony in the first hearing, would have produced 8.23% but a revision of that which I have here before me, in the light of several months additional experience, show that for the four months ending November 30, 1920, they only earned in Louisiana at the rate of 3.01% per annum; and taking that into account, and after making all allowances for reduction at costs that can be anticipated, I now figure these rates will produce 7.95%.

Mr. Kittredge: For what period would that be?

Mr. Hoxsey: That is the rate which would have been earned if these rates had been in effect during the year ending July 31, 1921, upon that volume of business; upon that investment and upon that toll business, with the expense level now reached, plus an increase of wages that remain to be made and the economies that remain to be made.

Mr. Kittredge: Do I understand that on the four months' business, ending November 30, 1920, you predicated your return for the balance of the 8 months up to July 31, 1921?

951 Mr. Hoxsey: No, I understood you to ask me upon what period of time did I predicate my figure of 7.95%. I did not understand you to ask me upon what period of time I predicated my statement as to the earning of 3.01%. That was the annual rate of return for the four months ending November 30, 1920.

Mr. Kittredge: I understood that. I did ask for what period you had predicated the 7.95% earning, and I understood you to say was for the year ending July 31, 1921.

Mr. Hoxsey: No, sir, 1920—the same period which has been under review,—that is, it is related to the volume of business for the period under review, assuming that these rates had been in effect throughout that period.

Mr. Kittredge: Then you took these rates and substituted them for the rates that were in effect for the year ending July 31, 1920?

Mr. Hoxsey: That is it exactly, yes, sir.

Mr. Kittredge: Why didn't you, to be fair to the other side, add these four months, and that would hardly have been fair,—but add them to the 12 months you had already figured on, and taken the average of the whole 16 months?

Mr. Hoxsey: Indeed, that would have made it very much worse for the other side. It was because I wanted to be fair to the other side that I did not do that. If you care to hear it I shall be glad to give you my precise reasoning for that.

Mr. Kittredge: Certainly.

Mr. Hoxsey: I have here an Exhibit "Hoxsey's Exhibit 6-A,"—Mr. Wolff has been furnished with copies of all of these exhibits and doubtless you have them also,—I took this exhibit making it as brief as I could,—I took on this exhibit the actual expenses per

station for the year ending July 31, 1920, for the company as a whole, and——

Mr. Kittredge: You took what?

952 Mr. Hoxsey: The actual expenses per station per month for the year ending July 31, 1920, for the company as a whole. I then took the same figure for the last five months of the year 1920,—that is for the period since the end of this year which we have been reviewing,—and I found that the increase was 32.7 cents per month per station. The present *lelev* of expenses for the company as a whole produced that, but I should deduct from that 1.8 cents per station because we had under-estimated our taxes for the year and we had to make some readjustments in the last five months. So that that 33 cents appearing on the tax line is too high when considered for the year as a whole. That reduced it to 30.9 cents per station, which was 7.16% of the average expense for the year under review. I next took Exhibit Hoxsey 7-A——

Mr. Kittredge: But, Mr. Hoxsey, I am cross examining you on the evidence I have before me. I never saw this before or heard of it. I shall object to exhibits being put in at this time, on cross examination, since the examination was closed on the last hearing, for the reason that we have no evidence, and have not had time to prepare evidence to——

Chairman Taylor: I understood that Mr. Hoxsey was merely trying to answer a question which you asked him, and to explain it.

Mr. Kittredge: Yes, I am cross examining him on his evidence at the last hearing, but I am not cross examining him on something that I never heard of or saw before, and I object to his producing such evidence and exhibits at this time.

Mr. Chipley: I have a letter here to the effect that this statement had been forwarded to the gentleman.

Mr. Kittredge: How much would be available, Mr. Hoxsey, as dividends on your capital stock if your company earned 8.23% on its average investment in all of the states in which it operates, last year?

953 Mr. Hoxsey: I have made no calculation on that. It would take some time to do so; and may I say that the result would not be illuminating for the reason that the company is not financed by means of capital stock alone, but by bonds, capital stock and notes,—borrowed money. I had made a calculation to see what the earnings of the company would be upon the total capital obligations of the company if we had earned 7.95. I have that figure, if you wish it.

Mr. Kittredge: What per cent. would it be on the stock, on that basis?

Mr. Hoxsey: I cannot tell you. I have not calculated upon the basis of the stock, but on the basis of the total capital obligations.

Mr. Kittredge: If you were to take the rate of interest you are paying on your bonds and the rate of interest you are paying on your borrowed money and multiply that and then deduct it from the total earnings and divide the remainder by the amount of capital stock, wouldn't that give you 15%?

Mr. Hoxsey: I don't know. I can make the calculation. It would take me perhaps three quarters of an hour or an hour. I have all of the records here that are required to make the calculation.

Mr. Kittredge: What rate of interest are you paying on your bonds?

Mr. Hoxsey: 5%.

Mr. Kittredge: What are you paying on your borrowed money?

Mr. Hoxsey: 6%, payable monthly, subject to a discount of 2% because of monthly payments, making a net rate of 5.88% for the greater portion of it,—all but about $35,000.00 of it.

Mr. Kittredge: Did you make such a calculation in the Mississippi case, where under the net earning on the amount that you took, 5 and something on the average investment, it showed 9% on the stock?

Mr. Hoxsey: I made such a calculation in Mississippi upon the basis of the 5.62 earnings,—not upon the basis of the 5.25%, as I recall it. I do not now recall what it would show upon the capital stock. My recolection is about this, subject to correction, of course, because I really do not remember it clearly,—but my recol-
954 lection is 8.91% on the capital stock. I accompanied that statement with the further statement that it was a misleading figure, and, if I recall correctly, also subject to some limitations, and that it would make about 6.50% on the capital obligations, pointing out at the same time that, of course, no one will borrow money and invest it simply for the sake of so investing it and simply earning the rate of interest which he has to pay for it, and turning that interest over to somebody else. Therefore, it is that you have to take your total capital obligations,–your borrowed money and your capital stock and all. It is not to be expected that any company or an individual will borrow money at 5%, invest that money expecting to earn a return of only 5% on it, which 5% he must pay to the man from whom he borrowed it, thus taking all of the risk without any hope of profit.

Mr. Kittredge: But there would be a profit there if your earnings amounted to a much larger percentage than what you were actually paying on your borrowed money and bonds, would it not?

Mr. Hoxsey: Of course, yes, sir.

Mr. Kittredge: Now, Mr. Hoxsey, turning to your exhibit 2, what percentage does it show your company to have earned from the system as a whole?

Mr. Hoxsey: For the year ending July 31, 1920, 4.01%.

Mr. Kittredge: What percentage was the company as a whole earning during the five months of last fall, when you found that the percentage in Louisiana had gone down to 7.95%?

Mr. Hoxsey: I do not recall that even such figures were made.

Mr. Kittredge: Don't you think it would have been fair, under all of the circumstances in this case, to have presented that to this Commission along with the statement of your reduced earnings in Louisiana for that five months' period?

955 Mr. Hoxsey: Out of a good many million facts it is rather difficult to know which ones are going to strike any

particular person as being pertinent, and to prepare accordingly. I am sure you will appreciate that fact. I think I stated in my previous testimony, and there is no controversy about the fact at all, that Louisiana, while not operated at an adequate profit, is less unsatisfactory than any of the other states in which the Cumberland Company operates; and I have no doubt that the same statement is true with respect to the four months in question. Is that the point you had in mind in making your inquiry?

Mr. Kittredge: The 4.01% for the balance of the system is an average figure, is it not? It is for the company as a whole? It is not for the balance of the system, including Louisiana, is it?

Mr. Hoxsey: Yes, sir.

Mr. Kittredge: If the earnings in Louisiana in that same period were 5.92% and for the company as a whole 4.01%, doesn't that mean that in some states you were earning less than 4.01%?

Mr. Hoxsey: Necessarily, yes, sir.

Mr. Kittredge: In Mississippi were you not earning 4.16% during that period?

Mr. Hoxsey: My recollection is that that figure is correct.

Mr. Kittredge: And in Kentucky and Tennessee together wasn't the figure about 3%?

Mr. Hoxsey: I think it was. I do not recall that very clearly, but it was approximately that.

Mr. Kittredge: What rate of depreciation do you charge to expenses in Louisiana?

Mr. Hoxsey: In my exhibit 9 the average, or component rate used was 6.078%—a little less than 6.1%.

Mr. Kittredge: For what period?

Mr. Hoxsey: For the year ending July 31, 1921.

Mr. Kittredge: Is that the rate you charge off every year?

956 Mr. Hoxsey: No, I may explain that upon our general books we do not keep depreciation separately by states. We take our component rates, or rather, our element rates for the company as a whole and apply for the company as a whole the nearest one half per cent; and it so happened that this was 6% for the company as a whole. Now, that is not set up separately on our books by states or municipalities. The only case in which we do that by states is when we make a study like this, for a particular purpose, and in such cases using the latest revision of the element rates which we have put into force, it is whatever the result may be. For instance, for any other period of time it would not be exactly the same as this; even if we were to make the year, which ended July 31, end on August 31, there would be some slight changes in the property, amount of various kinds of property, and therefore in the rate utilized.

Mr. Kittredge: What rate do you as a rule use each year for depreciation?

Mr. Hoxsey: We used 6% this year. During the period of government control I think we used 5.72%, if I remember rightly, for the company as a whole. I do not recall the rates which we have used from time to time in different years, except that the figure

5.72% sticks in my mind as being the rate used during government control.

Mr. Kittredge: Is your depreciation rate as a rule higher or lower than 6%?

Mr. Hoxsey: We have never used a higher figure than 6% on our books for the company as a whole.

Mr. Kittredge: But for Louisiana?

Mr. Hoxsey: As I stated, we do not segregate it on our books by statements. I would have to refer to individual statements to see.

Mr. Kittredge: On which class of property is depreciation the more active, toll or exchange?

Mr. Hoxsey: The composite rate on exchange property is higher than the composite rate on toll property. There are, however, elements of exchange property on which the depreciation rate is lower than on certain elements of toll property, but the composite rate on the exchange property is higher.

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Mr. Kittredge: Do you know what the ratio of toll property is to the total property of the Cumberland Company, as compared with the New York Telephone Company?

Mr. Hoxsey: I do not.

Mr. Kittredge: Are the increases in wages which you are estimating for 1921, timely, in your opinion?

Mr. Hoxsey: They are necessary, in my opinion. A very large part of it comes from the fact that our operators are working upon a sliding scale, providing for an increase in weekly wages every three months up until they have had a certain number of months term of service,—I think it is a total of twenty eight months,—and we are now getting a smaller turn over in our operators than formerly, and consequently the average experience is growing greater; and, therefore, there being fewer reductions in the basic schedules there is bound to be a material increase from that one factor alone, to say nothing of others that must be met.

Mr. Kittredge: Are not wages now tending downward?

Mr. Hoxsey: In some lines that is true, but our wages have always, I believe, been rather under those paid for similar work elsewhere, and are still under them. For instance, our total revenue per employee is several hundred dollars less than the United States Steel Corporation's average wage per employee; and, consequently, our wages have been held down to a low limit. It is necessary, in the interest of good service that there should be a longer term of service of employees.

Mr. Kittredge: But isn't it a fact that generally speaking wages are either down, or tending downward, and is it not a further fact that factories and industrial plants all over the country and in this state are either shutting down, or working with much less than their normal labor force?

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Mr. Hoxsey: There is no marked downward trend that I know of in skilled labor. In some branches of skilled labor, particularly, I believe, in the textile industries, my general reading has led me to the conclusion that there is a considerable downward trend. Generally speaking there are more industries at the present time in

which the trend is downward than upward. The matter is not without exception, however.

Mr. Kittredge When a new operator is employed by the company doesn't she start at the minimum rate?

Mr. Hoxsey: Yes, if she has had no previous experience.

Mr. Kittredge: And when an experienced operator leaves the employ of the company and you replace her with an inexperienced ope-ator, don't you really save in wages?

Mr. Hoxsey: In the sense that we pay the new operator less in dollars and cents per week. I would not say that there is a saving, however, because there is not.

Mr. Kittredge: Have you made an estimate of your labor turn over for 1921?

Mr. Hoxsey: No, I have not such a figure here. I have some figures as to the average experience of the traffic forces but I am not sure that they included anything of that kind, but the traffic forces, I may say, includes operators; but I have no such statement before me for the year 1921.

Mr. Kittredge: What is the total proposed additional wages per annum?

Mr. Hoxsey: In the state of Louisiana for wages charged to expense the increase after December 31, 1920—this being an entirely different figure from the figure which was given at the previous hearing, which was after July 31, 1920,—we have $157,368.00 increase in wages; as against some $280,000.00, I think, at that time,
959 $136,740.00 of which will be charged to the expense account in the cost of operations; and $20,628.00 of which is to enter into the cost of construction. It is this latter and smaller figure which I have used in computing the net earnings on the 7.95% basis.

Mr. Kittredge: Does your company propose to make similar increases in wages in the other states in which it operates?

Mr. Hoxsey: Wherever an increase in rates gives us an opportunity to do so, yes, sir.

Mr. Kittredge: Can you state the total value of the A. T. & T. Company's toll business out of the points shown on your Exhibit 10; and also how much of that revenue goes to the Cumberland Company, and how much to the A. T. & T. Company?

Mr. Hoxsey: I cannot.

Mr. Kittredge: Can you furnish a similar statement for the company as a whole?

Mr. Hoxsey: I have such a figure, as was asked for by Mr. Wolff. He asked to have such a figure prepared as to New Orleans and it was so prepared. That is to say, as to the amount of the A. T. & T. Company tolls originated at New Orleans for the years 1918, 1919 and 1920. That is the only figure of the sort that I have. I think there was some supplementary statement prepared and given to Mr. Wolff, but I have not a copy of it. I am not sure whether it was prepared or not.

Mr. Wolff: I found one at the hotel, as I left New Orleans.

Mr. Hoxsey: Well, I have never seen the second statement, and I do not know what the figures are.

Mr. Kittredge: You say you have not got it?

Mr. Hoxsey: No, sir, ut Mr. Wolff says that he has it. I have not seen it myself.

Mr. Kittredge: Has the Cumberland Company received any increased compensation from the A. T. — T. Company on
960 long distance business since the higher rates of the Postmaster General have been in effect?

Mr. Hoxsey: Yes, on some portions of the business, and not upon other portions. The commission paid by the A. T. — T. Company on any one message not originating at a pay station, and not operated by the A. T. & T. Company's own employes, is limited to 30 cents per message. If originating at a public pay station it is limited to 60 cents per message. Under actual practice settlements are based upon a percentage. Now, the higher percentage applied to the higher rate in force would give a higher commission on all of that business which had not already reached the maximum rate of 30 and 60 cents commission. It would not produce a higher commission upon that portion which had already reached the maximum.

Mr. Kittredge: Do you consider the commission allowed by the A. T. & T. Company to the Cumberland Company a fair one?

Mr. Hoxsey: I consider it the most profitable portion of our business; and I say that with due advisement. I have had prepared by my first assistant a very careful study of the costs of handling business originated by others for the purpose of making fair connecting agreements with the small companies which we connect with,—to enable us to determine what is a fair commission to allow them. In making this statement we added 10% to the cost which we ourselves incur as to certain items,—I do not think the local companies could do it as cheaply as we could,—but after we had made up all of the costs we added 10% more for contingencies. The resulting rate or commission per message was materially below that paid us by the A. T. & T. Company.

Mr. Kittredge: When did the Burleson rates go into effect in this state?

Mr. Hoxsey: As to exchange or toll business?

Mr. Kittredge: Toll business.

Mr. Hoxsey: I believe it was when they went into effect generally, which was January 21, 1919. One or two of the states held them up for a short time. I do not think this state did, however, and, if not, it was the date I gave.

961 Mr. Kittredge: Isn't it a fact that the 25% allowed by the A. T. & T. Company, subject to the limits stated, so far as New Orleans is concerned, yielded the company only 4.65% on the amount billed to subscribers on the A. T. & T. Company business during the first six months' business of 1919 when the A. T. & T. Company had its own operators in New Orleans; and only 8.7% during the latter part of that year, after the Cumberland Company took over the operating?

Mr. Hoxsey: I don't know. That data is probably given on the

statements given Mr. Wolff, copies of which I have never seen. If it is so shown on those statements it is correct, I am sure.

Mr. Kittredge: Under the Burleson rates as increased by 25% on long distance business did not the Cumberland Company continue to operate in New Orleans during 1920, and the 8.7% was reduced to 5.6% of the amounts billed to subscribers on that class of business?

Mr. Hoxsey: You are speaking now of figures with which I am not familiar, for the reason I have stated, but there has been no reduction in the basis of commission. There was transferred from the A. T. & T. Company to the Cumberland Company on August 1, 1920, some property in New Orleans; and that may have had something to do with the change. Also, of course, the fact that there is a limitation per message; and that the gross amount of the business is higher, with the same limitation as to a considerable part of it, would tend to reduce the percentage which the commission bears to the total. As, for instance, 30 cents is 15% of $2.00. Now, if that rate was raised to $2.50, we will say the same 30 cents commission would apply, which would only make it a 12% commission. In that way the percentage would diminish.

Chairman Taylor: Gentlemen, it is a quarter after six, and we will adjourn now to tomorrow morning at 9.00 o'clock.

(Whereupon, at 6.15 p. m., February 24, 1921, the hearing in the above numbered and entitled matter was continued to February 25, 1921, at 9.00 a. m.)

962 Baton Rouge, Louisiana, February 25, 1921.

Proceedings.

Chairman Taylor: Gentlemen, we will proceed. Mr. Hoxsey, you were on the stand when we adjourned last night.

Mr. Hoxsey: Yes. I have here the answer to the question which you asked me last night, Mr. Kittredge, if you wish it.

Mr. Kittredge: Yes, just one minute, if you please. What question do you refer to?

Mr. Hoxsey: The question as to the amount which had been added to the plant in Louisiana between the date of the inventory in 1910 and the present time?

Chairman Taylor: That is the data you telephoned Atlanta for?

Mr. Hoxsey: Yes, sir, and I have the information this morning.

Mr. Kittredge: The amount of the appraisal in 1910? That was my question, I think, Did you get that?

Mr. Hoxsey: I think I have both figures, yes, sir.

Mr. Kittredge: Thank you; let me have it please.

Mr. Hoxsey: The amount of the appraisal in 1910 was $5,869,906.20. That is the figure which was entered upon the books; and the increase between that date and December 31, 1920 was $6,261,273.24.

Mr. Kittredge: Making a total of?

Mr. Hoxsey: This is as of December 31,—making a total of plant alone,—of $12,131,179.44.

Mr. Chipley: Mr. Hoxsey's Exhibit "A" merely brings the matter down to a later date. There is no new matter here at all. This statement is already in evidence and on file with the Commission.

Mr. Kittredge: It was stated yesterday that Mr. Wolff had a copy of it.

Chairman Taylor: Well, we want it in the record.

963 Mr. Kittredge: Mr. Chairman, I wanted to object to that.

Chairman Taylor: What is your objection?

Mr. Kittredge: My objection is that that extra exhibit is inadmissible and irrelevant and incompetent to be added in this record. Otherwise, there would be no end to what we might be required to meet in the way of new pleadings. The pleadings make no reference to that; and it is not in issue here at all.

Chairman Taylor: The pleadings do not make reference to specific exhibits,—they merely ask for increased rates. The exhibits filed at the December hearing merely brought the figures down to July 31, 1920; and this carriers it on.

Mr. Kittredge: But my objection is that then, at the December hearing, the case was then closed by the other side, and we are taken by surprise, by this document. It is clearly inadmissible in this record.

Mr. Barrow: Mr. Chairman, I want to suggest this about this testimony: the method of procedure before the Commission is governed by the statu-es of the state. I don't know how far counsel for *for* the City of New Orleans or for the petitioners have looked into the law, but the matter is simply stated; that when the Commission is trying a case it acts as an investigating body or committee and is not bound by any strict rules of evidence. Now, when this case comes to be decided by the courts, assuming it finds its way into Court—if it is a state Court—the record as made up before the Commission must be transmitted to the Court. Either side may then put in any additional testimony they choose to put in, and if anything is left out of this record it simply means that the case must come back to the Commission and the Commission then goes over the record as made up before the Court. The Commission then considers the additional evidence which may be taken by the court and pro-

964 ceeds to annul, reaffirm or modify its order, and it is then sent back to the court. Now, it has been intimated in all of the trials which I have conducted for the Commission by the courts that the Commission should have before it every possible bit of information which would throw any light on the matter then being considered. If it is a question of service it must have the latest condition of that service. If a complaint was filed last July about certain train service, such as was the case in a certain matter before the Commission involving the matter of Pullman service, and the case is not heard until January, then the cour- says that the Commission must consider the question as it exists in January, at the time of the hearing. If a question of rates is involved then the court says that you must know what the condition was at the time you fixed the

rate. In other words, if the company here had filed an application as of the first of July and the matter came on for hearing on the first of January, and there had been a material improvement in its financial condition and revenues by the first of July the Commission should know it, and whatever order it might render should be with due regard to the showing as of the first of January. The reverse is equally true,—if the condition of the company has changed for the better and not for the worse, the Commission should know it,—if it has changed for the worse, the Commission should likewise have that information before it. The Commission is bound to get the very latest information available with respect to the subject it has under consideration. I believe counsel will agree with me that he should have the right to put before the Commission the very latest information he had been able to obtain from any source at his disposal as to the present financial and operating conditions of the company. I do not think it is a technical question at all. It is a business question.

Chairman Taylor: Well, the objection will be overruled, in
965 view of the fact that the Commission itself resquested the information.

Mr. Kittredge: We reserve a bill of exceptions to the ruling of the Commission.

Mr. Chipley: We offer in evidence Exhibits "Hoxsey 6-A"; "Hoxsey 7-A"; "Hoxsey 7-B"; and "Hoxsey 13-A," as well as Hoxsey's Exhibit "A-8," which I believe has been already offered.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit 6-A.")

(The exhibit, so offered and identified, was thereupon received in evidence and marked "Hoxsey's Exhibit 7-A.")

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit 7-B.")

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Hoxsey's Exhibit 13-A.")

Mr. Kittredge: Mr. Hoxsey, does the A. T. & T. Company allow the Cumberland Company any part of the receipts or charges for messages that come into New Orleans over long distance lines that have originated in the Cumberland territory?

Mr. Hoxsey: If they originate in Cumberland territory, and always, as a matter of fact, because they cannot get into New Orleans without coming in over the Cumberland Lines.

Mr. Kittredge: If a message comes in or originates in New York and comes into New Orleans over the lines of the A. T. & T. Company and the Cumberland Company does the Cumberland Company collect any part of the commission or charge?

Mr. Hoxsey: It gets a pro rate,—no commission,—it gets a pro rate for the use of its lines in that haul.

Mr. Kittredge: What is that pro rate?

Mr. Hoxsey: The last 29 miles of the haul, I think, or something like that,—no, wait a moment——

966 Mr. Kittredge: You are looking for the pro rate, Mr. Hoxsey, and I am asking you about commissions; if a $5.00

message comes in from New York to New Orleans and it comes in over the lines of the A. T. & T. Company and the Cumberland Company what part does the Cumberland Company get?

Mr. Hoxsey: For the convenience of computation the originating commission is based upon the outward business only. It is sufficient in amount to cover both the inward and outward business, so that the answer to your question is that upon that specific message from New York to New Orleans, no commission would be paid to the Cumberland Company by the A. T. & T. Company, but on a message in the reverse direction a double commission would be paid, the assumption being that one off sets the other, which is practically true.

Mr. Kittredge: Is it true in New Orleans?

Mr. Hoxsey: Yes, to the best of my knowledge and belief.

Mr. Kittredge: After the Burleson rates were increased some 25% was the portion of the commission going to the Cumberland Company on outgoing messages increased?

Mr. Hoxsey: No, not on those messages where the Commissions was already the limit—30 cents. *T*n the case,—30 cents in the case of ordinary stations and 60 cents in the case of pay stations. It was increased on the remainder where it was under 30 cents, there being a limitation over which there is no additional cost to the Cumberland Company, irrespective of the length of the message.

Mr. Kittredge: Then the maximum that New Orleans would be allowed on a toll message would be 30 cents?

Mr. Hoxsey: Except for the use of its own lines,—as commission only, yes, but not as a pro rate.

Mr. Kittredge: Was not the increase in favor of New Orleans to 30 cents as a matter of fact before the Burleson rates went into effect?

967 Mr. Hoxsey: Oh, yes, sir,—the increase in the amount and limitation of the originating commission was before that time. You misunderstood my point: Where messages already bore a commission of 30 cents no increase in the rate would increase that commission. That is what I have stated to you.

Mr. Kittredge: Therefore, if under the increased Burleson rates a message from Chicago to New Orleans or New York to New Orleans had been $4.00 before the Burleson rates were put in, and had been increased to $5.00 under the Burleson rate, New Orleans would get no part of that extra dollar, but would still continue to receive the same 30 cents commission it secured before the increase?

Mr. Hoxsey: That is correct, just the same commission as it would have gotten on the old rates, up to that maximum.

Mr. Kittredge: Has the Cumberland Company ever petitioned the A. T. & T. Company for a larger share of this long distance toll revenue?

Mr. Hoxsey: Prior to January 1, 1918, the Cumberland took up with the A. T. & T. Company the question of a larger commission; and at that time the commission was doubled.

Mr. Kittredge: Since the Burelson rates went into effect has the

Cumberland Company petitioned the A. T. & T. Company for an increase in the commission paid?

Mr. Hoxsey: No, there is no ground whatever for so doing. We could not justly make such a claim.

Mr. Kittredge: And you have not made it?

Mr. Hoxsey: We did not; the commission was ample.

Mr. Kittredge: When you made this plea to the A. T. & T. Company, as you have just testified, prior to January 1, 1918 for an increased commission what increase did they allow—what percentage increase?

Mr. Hoxsey: I don't remember the percentage increase.

Mr. Kittredge: Was it not from 15% to 25%?

908 Mr. Hoxsey: If I remember correctly, prior to that time from points where we did the operating, it was 15% and not to exceed 20 cents on any one message. After that time it became 25% and not to exceed 30 cents on any one message, with the exception, as I have stated, of messages originating at public pay stations, where it was doubled.

Mr. Kittredge: Now, referring to your Exhibit No. 11, Mr. Hoxsey, do you know what the rate for extension sets are, on flat rate stations, in cities other than New Orleans?

Mr. Hoxsey: I know that we are asking for the same rates in all cities where we have cases pending; and that the rates throughout the Southern Bell territory have been in the past, with two exceptions, $1.50,—with the exception of two cities $1.50 for extension desk sets.

Mr. Kittredge: What is the extension set rate per month in New Orleans?

Mr. Hoxsey: $1.50, subject to a discount of 50 cents for payment on or before the tenth of the month.

Mr. Kittredge: What is it in Syracuse, New York?

Mr. Hoxsey: I don't know.

Mr. Kittredge: Aren't there cities where it is as low as 50 cents a month?

Mr. Hoxsey: It is possible. I don't know of any.

Mr. Kittredge: Flat rate cities?

Mr. Hoxsey: I don't know. I do not say that it is not true, but I do not know of any.

Mr. Kittredge: If you put in an extension set in another office what do you charge in addition to that, if the person in the other office has his name put in the directory?

Mr. Hoxsey: That we know as joint user service,—$1.00 per month.

969 Mr. Kittredge: Don't you consider that exorbitant?

Mr. Hoxsey: To the contrary, I consider it entirely too low.

Mr. Kittredge: Too low?

Mr. Hoxsey: Yes, sir, it is out of line with the other charges and should never have been made. Joint user service should be considerably higher than extension sets, because it means more traffic.

Mr. Kittredge: Mr. Hoxsey, refer to your Exhibit 13, please. Now, what were the earnings of the Southern Bell Company in the State

of Alabama on the average investment there for the year ending July 31, 1920, as testified to by you before the Public Service Commission of that state?

Mr. Hoxsey: I do not now recall.

Mr. Kittredge: Wasn't it 3.55%?

Mr. Hoxsey: I think that figure is correct, but I am not sure.

Mr. Kittredge: What is the comparable figure for Mississippi?

Mr. Hoxsey: It is 4.16% for Mississippi.

Mr. Kittredge: And for Louisiana?

Mr. Hoxsey: 5.92%.

Mr. Kittredge: So the earnings for Louisiana in that period were higher than in either Mississippi or Alabama?

Mr. Hoxsey: That is true. Louisiana has a much larger proportion of toll business than Alabama has, and has some very large cities as compared with Mississippi.

Mr. Kittredge: What rate of return on the average investment do you expect to earn in Alabama under the schedule proposed by you?

Mr. Hoxsey: I do not now recall.

Mr. Kittredge: Wasn't it 6.01%?

Mr. Hoxsey: Now, that you speak of it I think it is 6.18%.

Mr. Kittredge: What did the Alabama commission allow in its order?

Mr. Hoxsey: They allowed the same percentage of in-
970 crease that we are now asking for in Louisiana substantially, —oh, within a very small fraction of one per cent. We were asking for a 25% increase in rates in Alabama as against 20% in Louisiana. Alabama allowed a 20% increase.

Mr. Kittredge: And that amounted to 4.95%?

Mr. Hoxsey: I do not now recall.

Mr. Kittredge: You don't remember what the commission decided in that state where you have just recently testified?

Mr. Hoxsey: Oh, yes, I remember what the Commission decided. They allowed an advance of 20% in the general rates.

Mr. Kittredge: And don't you remember that it amounted to 4.95%?

Mr. Hoxsey: I don't know. I don't even know that I made the calculation.

Mr. Kittredge: What do you expect to earn in Louisiana under the rates asked for?

Mr. Hoxsey: If we can get the advantage of some economies,—larger economies,—I have estimated and I hope to earn 7.95%.

Mr. Kittredge: Did you not figure at the last hearing here in December that you would earn 8.23%?

Mr. Hoxsey: I did. However, the exhibits which were referred to here this morning bring that figure down to the one I have just stated.

Mr. Kittredge: And, therefore, you predicate your whole request here then on the showing for the last four months of last year, ending December 31,—is that it?

Mr. Hoxsey: Not at all, sir. I took the level of expense reached in

those four months: and then, taking into account those expenses which will increase the expenses and those which will decrease them; and the changes,—the toll revenue anticipated; and I then made my best estimate of 7.95%.

Mr. Kittredge: Under the rates you are asking for, if they
971 are allowed, what will be your gross earnings after you finish your program and put in 9,000 new stations in Louisiana?

Mr. Hoxsey: You mean in dollars and cents?

Mr. Kittredge: Yes, sir.

Mr. Hoxsey: I have no idea. I have made no calculation as to that at all. I may say, however, that the percentage of earnings, if my estimates which were carefully prepared, are right, that the percentage of earnings will be 7.95%. As to what that would amount to in dollars and cents I have not made any figure.

Mr. Kittredge: Why didn't you make that figure so as to let us have the advantage of it?

Mr. Hoxsey: Because it would be, so far as I could see, of no interest to anyone; and I could not anticipate that any one would want the information.

Mr. Kittredge: You thought that the people of this state would have no interest in knowing what they would have to pay in dollars and cents to your company each year,—you thought they had no interest in that.

Mr. Hoxsey: I do not see how it could possibly interest any one I could see how it would interest anybody as to whether our rate of return on our investment was large or small, but I do not see how the number of dollars would interest anyone.

Mr. Kittredge: Have you a franchise in the city of New Orleans?

Mr. Chipley: I object to that on the ground that this witness is not an expert on the question of franchises. The law speaks for itself. The City Attorney should know what the franchise is in the City of New Orleans.

Chairman Taylor: Well, if he knows he might answer.

Mr. Hoxsey: I do not know. I never looked into it. I have no idea.

Mr. Kittredge: Who would know in your company?

Mr. Hoxsey: Probably our counsel and vice president, Mr. Chipley, if he happens to remember.

972 Mr. Kittredge: You don't know whether the company pays anything for that franchise or not, do you?

Mr. Hoxey: I know that we pay to the city of New Orleans a percentage on our gross receipts, but what the consideration for that is I do not know.

Mr. Kittredge: Is it based on exchange or toll?

Mr. Hoxsey: I do not remember the details. I think probably on exchange alone, but I do not recall. I know of no city in which we pay upon toll.

Mr. Kittredge: You are, then, as the financial manager of the company, only familiar with the monies that you pay out and receive; that is why you know you pay 3%?

Mr. Hoxsey: I am familiar with a great deal more than that; but there are many details which I do not attempt to carry in my mind,

Mr. Kittredge: Do you know what your company pays the city of New Orleans, if anything, for the use of the streets?

Mr. Hoxsey: I heard it stated yesterday by Mr. Yundt, if I recall the figures, that we pay them about $58,000.00 a year,—I believe that the total amount we pay the city, directly and indirectly, totals some $58,000.00 a year.

Mr. Kittredge: You don't know what that is paid for?

Mr. Hoxey: Not specifically, no, sir.

Mr. Kittredge: Haven't you estimated in your increased expenses an item for additional federal income tax, amounting to $28,796.00?

Mr. Hoxsey: That was the figure testified to at the former hearing. Upon exhibit 13-A, revising the percentage to 7.95%, I figure that it will be $25,286.00.

Mr. Kittredge: Mr. Hoxsey, what was the total amount of taxes charged against the state of Louisiana for the year ending July 31, 1920?

973 Mr. Hoxsey: $318,859.49.

Mr. Kittredge: Is any part of that federal income tax?

Mr. Hoxsey: It is.

Mr. Kittredge: How much?

Mr. Hoxsey: Very little. Our federal income tax for the year ending July 31, 1920, will only amount to about $11,000.00—no, that is for the whole year 1920—for the year ending July 31, 1920, it will amount to something more than that because the latter part of 1920 was more unprofitable than the earlier part. I cannot say as to what the total amount would be, but it will be very small—at the outside probably not more than $6,000 or $8,000.

Mr. Kittredge: Have you made a comparison of the rates shown in your exhibit 14 with cities of like population and number of stations, and in other respects similar to New Orleans?

Mr. Hoxsey: I have not, for the reason that it would be meaningless if one were made. You cannot compare the rates in any two points without knowing all of the surrounding conditions—the general rate schedule as a whole, the volume of toll business, and many other factors. I have never made such a comparison. I am familiar with the rates in our own territory, of course. Atlanta has a rate of $10.50 and $5.00 as against $10.00 and $5.00, as we are asking for in New Orleans.

Mr. Kittredge: Now, Mr. Hoxsey, in your Exhibit 9, you show a total average investment for the State of Louisiana, of $11,219,033.80. Does that figure represent the cost, now, as shown by your books?

Mr. Hoxsey: With the exception of a deduction of approximately $55,000.00, based upon the appraisal of which I have spoken and in an effort to show the cost now; but there is that difference between the original entries on the books and the final figures as they now stand. It includes, of course, a proportion of the work capital, as stated therein.

974 Mr. Kittredge: Have you prepared a balance sheet of your company showing the assets and liabilities, capital and reserve, as of December 31, 1920?

Mr. Hoxsey: I have such a balance sheet with me.

Mr. Kittredge: Will you file it in evidence?

Mr. Hoxsey: This is part of a record which I made and need for my own purposes. I brought it along to answer some questions from, and I would prefer not to file the document itself.

Mr. Kittredge: Is it short enough to read into the record.

Mr. Hoxsey. I can condense it and read some of the items, if you wish. The assets are as follows: total fixed capital, including the following items: intangible capital; right of way, land and buildings, central office equipment, station equipment, exchange lines, toll lines, other plant, and general equipment, $44,031,976.06. Construction work in progress, $459,716.43; investment securities $1,061,478.68; advances to systems corporations for construction, $21,000.00; miscellaneous investments, $100,395.56. Total working assets $3,438,615.28, including cash and deposits, marketable securities, bills receivable, accounts receivable and materials and supplies; accrued income, not due, $3,903.84. Deferred debit items, including payments unamortized, and other deferred debit items, $293,328.17. Total assets, $49,410,414.02.

Liabilities: Capital stock $17,250,000.00, stock liability for — of securities, $50.00; funded debt, $15,385,000.00; advances from systems corporations for construction, $7,297,080.38; bills and accounts payable, $846,782.39; accured liabilities, not due, $808,487.24; deferred credit items, including insurance and casualty reserve, liability for employees' benefit fund; liability account other provident funds; other deferred credit items, $241,174.77; reserve for accrued depreciation $7,238,654.33; reserve for amortization of intangible cap-
975 ital, $18,103.12; corporate surplus; unappropriated, $325,081.79. Total liabilities, $49,410.414.02.

Mr. Brown: Mr. Chairman, I would ask that the balance sheet be put in evidence?

Chairman Taylor: He just put it in evidence Mr. Brown. He read it into the record.

Mr. Kittredge: What was the balance for reserved depreciation or the balance reserved for depreciation, rather, for Louisiana, for December 31, 1920?

Mr. Hoxsey: I do not know; we do not segregate it by states. It is treated as a fund for the benefit of the whole company and is not segregated on our books by states.

Mr. Kittredge: In order to determine fairly the facts with respect to depreciation in Louisiana would it not be necessary to do that?

Mr. Hoxsey: I do not see why. We do not find it necessary for our own purposes.

Mr. Kittredge: Assuming that the rate of book depreciation to investment is the same in the state of Louisiana how much would be the accrued depreciation for Louisiana on July 31, 1920,—would it not be about $2,000,000.00?

Mr. Hoxsey: I do not know. Using the figure of 17%, which is approximately correct, it would amount to $1,930,849.00.

Mr. Kittredge: Now, Mr. Hoxsey, please refer to the last page of your Exhibit 9 and state the amount of depreciation charged to ex-

pense for the year ending July 31, 1920 for the state of Louisiana?

Mr. Hoxsey: $651,019.32.

Mr. Kittredge: Will you mention the depreciable property stating the amount as shown under the investment for the state of Louisiana on this same page?

Mr. Hoxsey: Average exchange lines and equipment,
976 $7.013,041.09; average toll lines and equipment, $2,832,-770.88. There is an investment in land which is considered in determining the total amount ratio of depreciation to plant, but land itself, of course, is not depreciable. Average real estate and buildings, $642,021.40. Furniture and fixtures, tools and teams, are subject to depreciation, but that is treated in a special account, as I recall it. The General Auditor is not here today, and I—I do not think it goes into that account, but I am not quite sure. Working capital, of course, is not subject to depreciation. The total of the three depreciable items I mentioned is $10,487,833.37.

Mr. Kittredge: What would that make the rate of depreciation in Louisiana?

Mr. Hoxsey: I cannot answer your question exactly because a part of the tools and teams, which are not subdivided in this report, is subject to this depreciation allowance. Taking the items which I have given and adding to them $180,759.02 for buildings and dividing the depreciation by that sum gives 6.102 as the rate of depreciation as against 6.078%. There is a difference there of three quarters of one per cent, which would be accounted for by the proportion of general equipment which I cannot subdivide.

Mr. Kittredge: What rate of depreciation did your company use as a whole in the 12 months ending July 31, 1920?

Mr. Hoxsey: I can give it to you for the year 1919 as a whole, but I cannot give it to you for the year ending July 31, 1919. I have not the figure.

Mr. Kittredge: Didn't the government use a figure of 2.55% for right of way and 5.72 for all other depreciable property?

Mr. Hoxsey: I know the figure of 5.72% is correct; and I think the other is. That sum generally, I may say, was simply an average of the rate that had been used by the Bell system as a whole
977 all over the United States for the *proceeding* three years. Of course, the actual rates differ or vary, as I have explained, with the variation in the amount of different kinds of plant, but during that period we used the government rates.

Mr. Kittredge: What was the amount of depreciation set up by your company as a whole for the calendar year 1920?

Mr. Hoxsey: The total depreciation charged to plant and equipment for the year 1920 was $2,474,811.82.

Mr. Kittredge: How much was it for 1919?

Mr. Hoxsey: $2,145,688.05.

Mr. Kittredge: This item of depreciation has no reference to maintenance, the charges for which are extra, has it?

Mr. Hoxsey: Depreciation is one of the component elements of maintenance. It has no relation to current maintenance of current repairs, the charges for which are in addition thereto.

Mr. Kittredge: Do you allow for extraordinary repairs in making up your depreciation figures?

Mr. Hoxsey: Yes, sir, depreciation includes extraordinary repairs, storm damage, etc., actual obsolescence.

Mr. Kittredge: Do you know, and if you do not, will you prepare and file a statement here showing how your present depreciation reserve was built up in the State of Louisiana,—the debits and credits, in accounts 102 and 103, for each year, back to the start?

Mr. Chipley: What are the accounts, 102 and 103, Mr. Kittredge, which you wish?

Mr. Wolff: The reserve for accrued depreciation and amortization of intangible capital?

Mr. Hoxsey: There has no such figure been segregated, as I have explained to you, upon our books, and I should say that it would take several months to prepare such a statement, I am
978 told that the records way back there are not available at all, and, really, it means nothing at all.

Mr. Kittredge: There is much of this that means nothing to you and means much to us. That is why we are on opposite sides, sir.

Mr. Chipley: You have an expert accountant there. Why didn't you have him do it?

Mr. Wolff: I didn't have the time.

Mr. Chipley: You can have the books any time you want them.

Mr. Kittredge: When were your depreciation rates determined?

Mr. Hoxsey: I don't know. Mr. Yundt can answer that. I don't know when the last revision took place.

Mr. Yundt: The recent rates were determined in 1918. I think they were applied in 1919. I am not sure,—but they have been determined every few years since prior to the accounting system which was prescribed by the Interstate Commerce Commission.

Mr. Kittredge: Mr. Yundt, when was the rate for each class of property determined?

property determined?

Mr. Yundt: Well, that was determined when we determined the depreciation rate in 1918; and I think we went over it in 1916, as I recall it—either 1915 or 1916. We went into the thing about 1912, but the last one was made up in 1918.

Mr. Kittredge: Will you file an exhibit showing your rates for the last two determinations?

Mr. Chipley: I don't see any occasion for it. The exhibits are already here showing what the rate is and how they are arrived at has been explained. It is determined by the amount of property of different kinds and a composite figure reached. It doesn't make any difference what the rates were in the past.

Chairman Taylor: Are they available?

Mr. Yundt: I have a copy of the recent one.

979 Mr. Chipley: Then let us have it.

Mr. Kittredge: Mr. Hoxsey, you are asking for an increase on exchange rates only, are you not?

Mr. Hoxsey: Yes, sir.

Mr. Kittredge: What is your net return on your exchange investment?

Mr. Hoxsey: I don't know. No man knows and no man can find out in any telephone company unless it be an exchange business only. It is an impossible thing.

Mr. Kittredge: Don't you make studies?

Mr. Hoxsey: There have been many studies or many attempts to find that out, but there has been no successful system devised that I know of, and I have watched it closely. There are methods in use which purport to give it. They do not give it; and I have come to the conclusion, and I believe it is generally concluded—the Interstate Commerce Commission has done so,—that it is not possible. It is assumption based on assumption and apportionment based on apportionment, and when you get through you have nothing.

Mr. Kittredge: What salary do you pay the president of your company?

Mr. Hoxsey: There was introduced in evidence here and exhibit showing the total salaries paid to the executive officers of the company, which the record will show, and which I think totaled about $45,000.00 a year. The salary that we pay any individual is his own private business, I feel, and I would prefer not to answer the question unless directed to do so by the Commission, or with the permission of the executive officers themselves.

Mr. Kittredge: How many are included in that?

Mr. Hoxsey: The president and three vice presidents.

Mr. Kittredge: Don't you think that the public that supports your company has a right to know whether you are mamaging it extravegantly and for the benefit of the public or for the benefit of the public?

980 Mr. Hoxsey: I think that question is answered by what is paid to the lot.

Mr. Chipley: It is not all charged to Louisiana, is it?

Mr. Hoxsey: No, only a portion of it, of course, is charged to Louisiana.

Mr. Kittredge: Does that salary for the president and the three vice-presidents purchase their total time and is it devoted to the affairs of the company?

Mr. Hoxsey: No, they also receive compensation from the Southern Bell Company.

Mr. Kittredge: What is that for the same three men?

Mr. Hoxsey: It amounts to about the same thing. The total compensation is divided between the two companies on the basis of stations; and it so happens that the two companies have about the same number of stations, the Cumberland being slightly in excess of the Southern Bell.

Mr. Kittredge: Do they devote their total time to the Cumberland and Southern Bell, or to they receive other salaries?

Mr. Hoxsey: They receive no other salaries, and they devote their total time to those companies. Of course, those companies own a few smal- subsidiaries, or stock in them, to which some attention is given, but that is negligible.

Mr. Kittredge: Do those subsidiary companies pay any salaries to those officers for managing them?

Mr. Hoxsey: No, not to the officers. They reimburse the Southern Bell and the Cumberland Companies, as the case may be, for a portion of the expense.

Mr. Kittredge: Don't you understand, or do you understand and believe that the public who supports this telephone company has a right to know, or this Commission, who is the public, has a right to know whether these officers are properly and economically managing the affairs of the company?

Mr. Hoxsey: Absolutely.

981 Mr. Kittredge: Then, don't you consider it a fair question to ask what you are paying the president of the company?

Mr. Hoxsey: I prefer to leave the determination of that to the Commission. I have stated that if the Commission instructed me to do so, I would answer the question.

Chairman Taylor: I see no objection to the question being answered. They are high class, high priced men, or they wouldn't be holding the positions they do. I see no objection to your answering it, Mr. Hoxsey.

Mr. Hoxsey: The president draws a salary from the two companies of $25,000.00 a year. The vice president and counsel, Mr. Chipley, and myself receive $20,000.00 a year; the operating vice president, $15,000.00 per year; and another vice-president gets $10,000.00 a year.

Mr. Kittredge: If you secure these advanced rates do you contemplate increasing those salaries?

Mr. Hoxsey: We do not. I do not mean to say that the salaries may never be increased. I hope they will be, but there will be no increase in those salaries based upon these rates, or the *the* approval of these rates.

Mr. Kittredge: If you do not secure these increased rates, and the company is in the quasi bankrupt condition that has been testified to here, do you contemplate decreasing those salaries?

Mr. Hoxsey: I certainly hope not. I know of no men who are so underpaid in proportion to their responsibilities and duties in comparison with other like positions.

Mr. Kittredge: That is all.

Chairman Taylor: Any questions for Mr. Hoxsey, Mr. Chipley?

Mr. Chipley: None.

Chairman Taylor, You are excused, Mr. Hoxsey.

Witness excused.

982 Mr. MARK WOLFF was called as a witness, and, having been first duly sworn, testified as follows:

Mr. Kittredge: Mr. Wolff, what is your profession?

Mr. Wolff: Certified Public Accountant, New York State, 1911.

Mr. Kittredge: What are your educational qualifications?

Mr. Wolff: Graduate of New York University, degree of Bachelor of Commercial *Sincense,* 1910.

Mr. Kittredge: What is your experience as an expert accountant?

Mr. Wolff: In 1911-12 employed by two firms of Certified Public Accountants as a member of their staff. January 1913 to February, 1918, employed by the City of New York as fifth grade accountant. The work which I did from January 1, 1913, to October, 1914, or while in the employ of the city, was the preparation of income statements showing revenues and expenses of the Water Department, prepared for the first time in its history; covering separate reports for the fifty five pumping stations within the greater city. From October, 1914 to May, 1916, audited and made an analysis of the books of seven different private water companies operating in certain districts in the burrough of Brooklyn and Queens. I prepared at that time a paper on accounting phases of water works accounts for the American Water Works Association; and prepared about a year later another paper supplemental thereto. From June, 1916 to December, 1917, looked into reports and made analysis of some of the public utility service corporations operating within the city of New York, such as the New York Edison Company; New York & Queensborough Electric Light & Power Company; Queensborough Gas & Electric Company; Flatbush Gas Company; Bronx Gas & Electric Company; Empire City Subway Company, in whose ducts the, or in whose conduits the ducts of the telephone company are located; Interborough Rapid Transit Company; Brooklyn Rapid Transit Company; contracts 3 and 4, popularly known as the subway agreements; New York Telephone Company from February, 1918
983 to the present time, in part as Certified Public Accountant, devoting myself almost exclusively to public utility rate cases. Some of the rates cases on which I have worked during the past three years are; Public Service Railway Company; Port Richmond and Bergen Point Ferry Company; Hudson & Manhattan Railroad Company; Public Service Railway Company; Public Service Gas Company; Public Service Electric Company; New York Telephone Company; the data for the articles published in the New York "World" in 1918, and later another series in 1918 which were supplemental and instrumental in the subsequent rate reduction there of 8%; Syracuse Telephone Company; Rochester Telephone Company; the New York City telephone case, including an examination of the books of the New York Telephone Company; Meridian Electric Light Company; Southern Bell Telephone Company, having assisted the Associated Municipalities of Alabama; the Mississippi telephone case, including an examination of the Cumberland Telephone & Telegraph Company for the Attorney General of that state; and the present case. I have written a text book on bookkeeping and accounting with particular reference to civil service, including state commissions, which is published by the Civil Service Chronicle, of New York City; did some statistical work for the Bureau of Standards, and qualified as valuation analyist for the Interstate Commerce Commission.

Mr. Kittredge: Have you made an examination of the investigation of the Cumberland Telephone and Telegraph Company with respect to the proposed rate increases in Louisiana?

Mr. Wolff: I have, yes, sir, but to a limited extent only. In that connection I offer my Exhibit 1.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff Exhibit 1.")

Mr. Kittredge: Why were you limited in the scope of your investigation?

984 Mr. Wolff: For one thing, I did not have sufficient time to make a proper investigation. I personally, in the little over three weeks I have been engaged, was able to spend only six days at the Company's offices in Atlanta and in New Orleans, having to do a great deal of work at other placed on this particular case. However, my assistant, Mr. Fred S. Tipton, C. P. A., New York state, was able to spend only ten days in the company's offices, for the same reason as myself. In addition I had three men, employees of the city of New Orleans, who worked approximately ten days at the fourth division headquarters of this company, under my direction, but were unable to complete the program laid out for them. Altogether we have spent forty five days—calendar days,—on a one man basis, but we have been able, you might say, to merely scratch the surface. Much time was lost in securing copies of the various exhibits which counsel did not have, and the testimony, which I got at the company's offices. Although we worked day and night we were unable to do more than we did.

Mr. Kittredge: Do you know how many days, on a one man basis, other states having similar telephone cases before them, have spent on such work in connection with those cases?

Mr. Wolff: Yes, sir, from information that I have elicited through inquiry, I learned that the Public Service Commission of Alabama had their accountant, Mr. Rosson, of Mobile, spend approximately 90 days, on a one man basis, during which time he was able to verify the figures for the City of Birmingham alone. The accountant employed by the Florida Commission, Mr. C. Hillman, of Washington, D. C., has had four men assisting him, and informed me that his program, between the starting of the work and the next hearing, which I believe is March 8, will have consumed 205 days on a one man basis; and he did not then know whether they would be

985 ready or not. I have not spoken with anyone representing the North Carolina Commission, but I understand from one of the employees of the Cumberland Company that the Commission there has some men who are doing the same work, and they will spend much more time on the case than we will have done if the case is concluded today. There are cases now in progress in behalf of the cities of Buffalo, Syracuse and New York City, one of which dated back over a year; another nearly a year, and the third, six months; and the work is going on continuously by a staff of a dozen men.

Mr. Kittredge: Have you prepared any exhibits, as a result of such investigation as you were able to make?

Mr. Wolff: Yes, I have prepared some exhibits, and have utilized a number which I introduced in the Mississippi Telephone case; and

also some general exhibits showing price tendencies, introduced originally in the Albama telephone case, and also used by me in the Mississippi Telephone case.

Mr. Kittredge: Are the exhibits and the data furnished at the original hearing by the Cumberland Company sufficiently clear and definite to enable one to determine the precise financial condition of that company in Louisiana?

Mr. Wolff: I should not think so.

Mr. Kittredge: Among the exhibits introduced by the company have you been able to find their balance sheet?

Mr. Wolff: There has not been up to the time that Mr. Hoxsey this morning read the balance sheet in the record as of December 31, 1920.

Mr. Kittredge: Have you prepared a balance sheet of the Cumberland Company?

Mr. Wolff: I have, yes, sir which I now file as my Exhibt- 2 and 3, the asset side being Exhibit 2 and the liability Exhibit 3.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 2.")

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 3.")

986 Mr. Kittredge: Have you any comment to make upon your exhibits 2 and 3?

Mr. Wolff: Yes. The figures here given on both of these exhibits show the financial condition of the Cumberland Company at the end of each of the years stated, from 1913 to 1919, inclusive. The figures are for the company as a whole and do not show separately, nor are there any separate schedules which would show separately the figures for the various states serviced by the company. You would expect to find, at least, the fixed capital and investment shown by states, and possibly, also, as is shown in some jurisdictions, the reserve for accrued depreciation in Mississippi and Louisiana and the other states separately. My exhibit 3,—on my Exhibit 3, the reserve for accrued depreciation, Account No. 102, is shown to have increased from December 31, 1913 by approximately two million dollars. Mr. Hoxsey in his testimony this morning stated that the reserve for accrued depreciation balance on December 31, 1920 was $7,238,654.33. Therefore, the increase since December 31, 1913, is approximately $3,200,000.00.

Mr. Chipley: Mr. Wolff, will you give us the other sheet that you are talking about?

Mr. Wolff: It is sheet or Exhibit 3, Mr. Chipley. It is attached there?

Mr. Chipley: Oh, yes, I see; thank you.

Mr. Kittredge: Referring to the asset side of the balance sheet, Exhibit 2, have you prepared a statement showing the detail of the investment in each of the states;—not in each of the states, but in each of the years, and the amount in each of the years?

Mr. Wolff: Yes, I have, it being my exhibit 4, which I now introduce.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 4.")

Mr. Kittredge: Have you any comments to offer on this exhibit, Mr. Wolff?

Mr. Wolff: I call your attention to the last account on this exhibit—unappraised property purchased,——

987 Mr. Kittredge: What is the amount of that as of December 30, 1913?

Mr. Wolff: $404,600.19.

Mr. Kittredge: Do you know whether any part of this item relates to the State of Louisiana.

Mr. Wolff: I do not.

Mr. Kittredge: What is the usual procedure in telephone accounting practice with regard to the purchase of competing lines?

Mr. Wolff: When a competing line is purchased the consideration passing for it is carried in an account called "Unappraised property purchased," which is a temporary account. Later, when the property is valued the value of the property *as* placed in the permanent fixed capital account and the difference between the value and the consideration for which it has been purchased is transferred to an account called "Intangible capital," which is then ammortized. Sometimes part of the property is sold and then instead of your valuation you will have a salvage value,—what was realized through its sale,—and then the difference between the salvage value and the consideration is treated in the same way.

Mr. Kittredge: Do you know whether this was done with respect to property purchased in Louisiana?

Mr. Wolff: I don't know whether any such property was purchased in the state of Louisiana, and, if so, whether this was done. I do know, in the Mississippi case, as I recall, that this $404,000.00 did not relate to that state; so that by a process of elimination, if I am correct in my memory, it must relate to the balance of the system, including Louisiana.

Mr. Chipley: Any other states?

Mr. Wolff: I say the balance of the system, including Louisiana,—which, of course, would mean Kentucky, Tennessee and Louisiana.

Mr. Chipley: Didn't Mr. Hoxsey testify in Mississippi that it was Memphis?

Mr. Wolff: I do not recall. He may have done so.

Mr. Chipley: We bought nothing in Louisiana, Mr. Kittredge.

988 Mr. Kittredge: Have you prepared a statement showing the growth of the fixed capital for the period covered by the balance sheets in your Exhibits 2 and 3?

Mr. Wolff: Yes, I have, and I now introduce this as my Exhibit 5.

(The exhibit, so offered and identified, was thereupon received in evidence and marked "Wolff's Exhibits 5.")

Mr. Wolff: This exhibit shows the growth of the fixed capital account for each year from January 1, 1914, to December 31, 1919. The fixed capital on January 1, 1914, was $32,055,197.48; while on

December 31, 1919 it had increased to $40,018,372.79, an increase of approximately $8,000,000.00. It will be noted that in the second column, headed "Charges for Capital added during the year," the sum would approximate $21,000,000.00. The sum of this column represents the gross additions, while the $8,000,000.00 figure represents the net additions. The sum of $21,000,000.00 is the figure which, if there are no transfer items in it, which I assume there are not, takes into consideration the $12,000,000.00 construction program as shown in the company's petition, representing gross additions. In other words, the mere fact that the construction cost in the five year period may approximate $12,000,000.00 does not necessarily mean that the net of these additions to fixed capital will represent that sum. The difference between the two—whatever difference there is between the gross additions and the net additions, during this five year construction period, will be represented in the amount, in the main, by replacements out of the depreciation reserve. The net additions, further, would represent ordinarily the money borrowed for capital purposes, realized through the issuance of stocks or bonds; and in addition thereto, would represent the investment in extensions and additions out of the depreciation reserves, as well as out of any surplus that there may have been accumulated and not dis-
989 tributed as dividends; so that the new capital contributed by investors would, in all probability, be less than the net additions.

Mr. Chipley: How about notes, Mr. Wolff?

Mr. Wolff: When I speak of capital obligations I include notes, which are afterwards funded.

Mr. Chipley: I knew you did, but you said stocks and bonds and I just wanted to have you make the record clear on it. I may say to the Commission and to Mr. Kittredge that Mr. Wolff has always been so fa-r and comprehensive that I just broke in there to have him clear that point up, in order to save cross examination. That is all.

Mr. Kittredge: That is all right, sir. I do not object at all.

Mr. Wolff: It includes all capital obligations, yes.

Mr. Kittredge: Have you prepared an exhibit which will support the column marked "Charges to other accounts"?

Mr. Wolff: I have, yes, sir, my Exhibit 6, which I now offer in evidence.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 6.")

Mr. Kittredge: Proceed with whatever comment you may have to make on this exhibit 6, Mr. Wolff.

Mr. Wolff: Exhibit 6 is a statement giving the supporting items of the column headed "Charges to other accounts" and really explains itself; but I wish to call attention to the item of $1,794,766.38, in 1915, representing the value of all fixed capital transferred, to the Southern Telephone Company of Indiana, less the amount of depreciation reserve accrued on same; also $184,150.04 in the same year, representing the value of all fixed capital transferred to Chris-

tian Todd Telephone Company, less amount of depreciation reserve accrued.

Mr. Kittredge: On your exhibit 2 you have an item "Investment Securities," in account No. 105. What was that figure as of December 31, 1919?

Mr. Wolff: $3,200,750.61.

990 Mr. Kittredge: What does that item represent?

Mr. Wolff: Investment in securities, some of which represent companies affiliated with the Cumberland company.

Mr. Kittredge: Have you prepared a statement showing the return on investment by the Cumberland Company during the year 1919?

Mr. Wolff: I have, in my Exhibit 7, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 7.")

Mr. Wolff: This statement shows a return on these investments during the year 1919, the return amounting to $12,165.60, which is at the rate of less than one half of one per cent on the par book value of the investments. In its application to this Commission the company has laid stress on the need for additional capital with which to make extensions and additions; and it would seem to me, if possible, that these investments should be disposed of.

Mr. Kittredge: Do you know whether or not these investments relate to the State of Louisiana?

Mr. Wolff: I believe they do not. I believe they relate to Kentucky and Indiana.

Mr. Chipley: And partly Illinois also, Mr. Wolff?

Mr. Wolff: Yes, sir.

Mr. Kittredge: Have you prepared a balance sheet of this company as of any date later than December 31, 1919?

Mr. Wolff: Yes, in my Exhibit 8, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 8.")

Mr. Wolff: This statement gives the financial condition of this company as of October 31, 1920, and is taken from the company's monthly reports for that date. It shows that the account "Investment Securities," to which I have already called attention, has been reduced since December 31, 1919, by $1,865,258.66, but that

991 there still remains in that account $1,061,478.68.

Mr. Chipley: You mean stock in other telephone companies?

Mr. Wolff: Stocks or bonds, yes, sir.

Mr. Kittredge: What was the relation between the fixed capital and reserve for accrued depreciation on October 31, 1920?

Mr. Wolff: Approximately 16.90%.

Mr. Kittredge: Have you prepared a statement which will show the relation between the reserve, or, rather, between reserve for accrued depreciation and the fixed capital?

Mr. Wolff: I have, my Exhibit 9, which I now offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 9.")

Mr. Wolff: This exhibit shows the relation of reserve for accrued depreciation and the company's capital account, which I have designated "Book Cost New." On December 31, 1913, the ratio was 12.06%, which had incrased on October 31, 1920, to 16.9%. I believe Mr. Hoxsey testified this morning that this ratio on December 31, 1920, was approximately 17%. It will be noted that on December 31, 1916, the ratio was 11.5%, so that there would be an increase from that time to December 31, 1920 of 5.5%, or approximately 50% in percentage.

Mr. Chipley: Will you state whether that is for the company as a whole?

Mr. Wolff: Yes, sir, for the company as a whole.

Mr. Kittredge: Should the reserve increase at the same ratio as it has during that period how long will it be before it is approximately 20%?

Mr. Wolff: I would say approximately 20 months.

Mr. Kittredge: Wouldn't that depend upon the additions and extensions, Mr. Wolff?

Mr. Wolff: No, it would not depend upon the extensions and additions. It would depend on the retirements.

Mr. Chipley: Replacements?

Mr. Wolff: Yes, sir, exactly. If you do not replace any
992 more property than you have in the past three or four years, you will have reached 20% in about twenty months.

Mr. Chipley: Now, if you didn't add any more property it wouldn't increase, either, would it,—it depends on both, does it not?

Mr. Wolff: Well, if you don't add any more property your ratio would go up.

Mr. Chipley: But I say, it depends on both, doesn't it?

Mr. Wolff: Yes, in that sense.

Mr. Kittredge: Did the company deduct accrued depreciation on its Exhibit 9?

Mr. Wolff: It did not.

Mr. Chipley: And did the company add anything for appreciation?

Mr. Wolff: The company showed what it terms average investment.

Mr. Chipley: But it did not add anything for appreciation?

Mr. Wolff: I don't know. I have not investigated your books as to that. I have simply taken the amounts shown on the books. You may have added something on your books; that I don't know.

Mr. Chipley: But how can you state so positively that we did not take anything off for accrued depreciation and not be able to state that we did not add anything for appreciation?

Mr. Kittredge: Well, my question——

Mr. Chipley: I know what your question was, but my question is different.

Mr. Wolff: You did not add anything on your Exhibit 9. That is,

you did not represent the exhibit as showing something added to your book cost, if that is what you ask.

Mr. Chipley: That is exactly right, thank you. That is it.

Mr. Kittredge: What would that amount to for Louisiana at 16.9%?

993 Mr. Wolff: $1,896,017.00.

Mr. Kittredge: Have you prepared a statement showing the income account of the company, as a whole

Mr. Wolff: Yes, my exhibit 10. I offer Exhibit 10.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 10.")

Mr. Barrow: Mr. Wolff, the exhibit that you are now going to testify about, is this a copy of what is on the company's books, or is it an original compilation made by you?

Mr. Wolff: I forgot to state that this exhibit, as well as some of these other general exhibits relating to the company as a whole, are taken from the company's reports to the Interstate Commercie Commission at Washington.

Mr. Barrow: That is what I thought?

Mr. Wolff: That is correct, yes, sir.

Mr. Kittredge: Proceed, Mr. Wolff.

Mr. Wolff: This exhibit shows the income account of the company for this six years indicated, from 1914 to 1919, it does not show the debits and credits relating to the period of federal control, which affected the figures for 1918 and 1919, since the company was under federal control from August 1, 1918 to July 31, 1919.

Mr. Chipley: Does that show what the company actually earned,—that exhibit?

Mr. Wolff: This exhibit shows what the company actually earned and does not include any compensation which it may have received.

Mr. Chipley: Where the government made up the deficit?

Mr. Wolff: No, sir.

Mr. Kittredge: Have you prepared a statement which also takes into account the company's compensation under government control?

Mr. Wolff: Yes, my exhibit 11, which I offer in evidence.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit No. 11.")

994 Mr. Barrow: Mr. Wolff, when you take up your exhibits will you state which are original compilations made by you and which are copies from the books of the company, kept in accordance with the requirements of the Interstate Commerce Commission, so that we may know which are the company's figures and which are your figures? Can you do that as you go along?

Mr. Wolff: Well, all of the first exhibits which I will introduce will be compilations from the Interstate Commerce Commission reports; and where I do not otherwise specify them they will be figured from such reports. This exhibit 11 shows those two years during which the control of the government affected the company's opera-

tions, including whatever compensation the company received from the Government.

Mr. Chipley: How much was that, Mr. Wolff?

Mr. Wolff: It has been testified to, I believe by one of the company's witnesses that it was $498,000.00.

Mr. Barrow: Where is that figure shown in this exhibit?

Mr. Wolff: It is not shown in the exhibit, but included among other items.

Mr. Chipley: Well, the government did pay the company $498,000.00.

Mr. Wolff: Yes, sir, to make up——

Mr. Chipley: The 6% dividend.

Mr. Wolff: Yes, sir, the 6% dividend which it had guaranteed. That is correct.

Mr. Kittredge: Do you know whether the company sustained any deficit in the State of Louisiana during federal control?

Mr. Wolff: I do not have the figures for Louisiana separately, but the company did not in its operations in Louisiana sustain any deficit in my opinion. That opinion is based on the following: for 1918 the company earned in the state of Louisiana 6.13% and for 1919 5.39%. On the average investment in Louisiana,—the aver-
995 age investment being in excess of the combined capital stock, bonds and long term notes,—it includes therefore some investment out of the depreciation reserve. A further fact leading me to this conclusion is that the bonds and long term note bear interest at less than 6%, the bonds bearing 5% and the notes to the A. T. & T. Company 5.88%. The amount therefore available for dividend on the stock, if you were to take the capital stock or if it were possible to do so, and divide it among the states, and do the same with the bonds, it would show a larger return on the capital stock than the 6% guaranteed by the government during the period of federal control. In making this statement I averaged the rate of earnings for these two years of 1918 and 1919 and assuming that the period from August 1, 1918 to July 31, 1919, was no different from the balance of the period, this statement would seem to be supported not only by the results for Louisiana in those two years, but also by the results in Louisiana in some preceding years for which I have made some figures and which will be introduced presently.

Mr. Chipley: Are you aware, Mr. Wolff, that during the period—that period—that the expenses increased so that they were larger at the end of the period than they were at the beginning?

Mr. Wolff: I don't know about that. I have not made up any statement by separate months.

Mr. Chipley: So you don't know whether the expenses were the same during that period or whether they were increased and were larger at the end of the period than during the entire period?

Mr. Wolff: No, I don't know that, and I would not pass on it without further investigation.

Mr. Chipley: You do know that the trend of earnings was downward?

Mr. Wolff: I do know that the trend of earnings was downward, yes.

Mr. Kittredge: Now, up to this point——

Mr. Wolff: Pardon me, just one moment, please, with respect to that answer: whether that was within all of the months of
996 thos- years,—those two years, I don't know, but in speaking of that one year, we do know that the trend of earnings has been downward for the past five years.

Mr. Chipley: Sure; that is all right.

Mr. Kittredge: As I started to say, up to this time I have consented to counsel cross examining the witness as he went along, but I find that it breaks my train of examination, Mr. Chairman, and I would much prefer that we follow the same course that has been done with the other witnesses; that is, that I be permitted to finish my direct examination and then have Mr. Chipley take the witness on cross. I believe it would also tend to conserve time.

Mr. Chipley: Certainly, sir. I had explained that Mr. Wolff had always been so *dair* in these things that my only purpose was to save time in asking him a question or two as he went along. In fact, I never found it necessary to cross examine Mr. Wolff at all.

Mr. Kittredge: As a matter of fact, Mr. Wolff, which is the most profitable state in which the company operated:

Mr. Wolff: In all of the years that I have made an examination, which is for the past five years, Louisiana was by far the most profitable to the company of any of the states in which it did business.

Mr. Kittredge: Did Louisiana or not have to carry Tennessee and Kentucky?

Mr. Wolff: I believe it has carried Tennessee and Kentucky, that it is doing so now, and has been doing so for the past five years at least.

Mr. Kittredge: Have you prepared a table showing the percentage of earnings in Louisiana as compared with the other states in which the company operates for the year ending July 31, 1920?

Mr. Wolff: Yes, that is my Exhibit 12, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 12.")

Mr. Wolff: This statement was prepared from the record in
997 this and in the Mississippi cases. Its shows the earnings of the company as a whole, in the first column; in the second column for the State of Louisiana; and in the third column for the company outside of Louisiana, which is arrived at by deducting Louisiana from the Company as a whole. In the fourth column, Mississippi, as taken from one of the exhibits in that case, which, when deducted from the third column, will leave the company outside of Louisiana and Mississippi. The rate of return is shown to have been for the year ending July 31, 1920, 4.01% for the company as a whole; for Louisiana it was 5.92%; for the company outside of Louisiana 3.32%; for Mississippi 4.16% and for the company outside of Louisiana and Mississippi, which would mean Tennessee and Kentucky combines, plus a small amount of property in Southern

Illinois, 3.06%. The revenue per thousand dollars of investment is also stated, and it will be noted that the figure for Louisiana, $385.54, is higher than in any of the other states. Mississippi comes next with $361.39. In making this statement I combined Kentucky and Tennessee and do not show them separately.

Mr. Kittredge: Do you know whether rate advance applications have been filed in states other than Louisiana, by this company?

Mr. Wolff: I know of an advanced rate application having been made in the State of Mississippi, having represented the attorney general of that state in that proceeding, but I believe there has been no other such application filed in any of the states serviced by the Cumberland Company.

Mr. Kittredge: From this exhibit 12 it would appear that it was due almost exclusively to the 5.92% earned in Louisiana that the company's net earnings were brought up to 4.01% for the company as a whole, was it not?

Mr. Wolff: Yes, Louisiana, contributed a large part and Mississippi contributed a large part, but with Louisiana eliminated it would have been only 3.32%.

998 Mr. Kittredge: You were engaged in the Mississippi case, were you not?

Mr. Wolff: I was.

Mr. Kittredge: And you are familiar with what the company earned in that state?

Mr. Wolff: Yes sir.

Mr. Kittredge: Now, it is also true, is it not, that the company earned more in Louisiana than it asked to earn in the state of Mississippi?

Mr. Wolff: The company asked to earn in Mississippi 5.25%, and in Louisiana it actually earned 5.92% for that year.

Mr. Kittredge: How much is it asking to earn in Louisiana now?

Mr. Wolff: On the basis of the original exhibits filed in this case it was 8.23%. Mr. Hoxsey has modified it by some supplemental statements, with which I am not familiar.

Chairman Taylor: You say that the company is only asking to be allowed to earn 5.25% in Mississippi?

Mr. Wolff: That is correct, yes, sir.

Mr. Kittredge: If the company earned then, for the year ending, July 31, 1920, 5.92% in the balance of the system, what dividend would it have paid or could it have paid on the capital stock?

Mr. Wolff: I have not computed the figure. I had just about reached the point of doing so; but in the Mississippi case Mr. Hoxsey was asked what the company would earn on its capital stock if its earnings in the states other than Mississippi were the same as asked for in Mississippi, 5.25% and his estimate was 9% on the capital stock. This percentage of 5.92% being higher than 5.25% it would result in a higher rate of per cent on the capital stock, but just how much I do not know.

Mr. Kittredge: Would it not be something over 8%?

Mr. Wolff: It would assuredly be over 8%, yes, sir. If it would have been 9% for 5.25 per cent, it would most certainly be—

999 I might say,—be over 10% on 5.92%. However, I do not want to speculate about it. It would be much better to figure it.

Mr. Kittredge: How much would be available as dividends on the capital stock of the company if it had earned 8.23% on its average investment in all the states in which it operates?

Mr. Wolff: Approximately 15%.

Mr. Kittredge: Have you prepared a statement separating the comparative income account of the company?

Mr. Wolff: Yes, my exhibit 13, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 13.")

Mr. Kittredge: Have you made a comparison of the gross revenue per thousand dollars of investment in Louisiana with the same investment in the other states, so far as you were able to do so?

Mr. Wolff: Yes, I have, and so testified a moment ago. I stated that the Louisiana revenue per thousand dollars of investment was $385.54, which is higher than in the other states serviced by this company.

Mr. Kittredge: What was the amount of licensee revenue paid to the American Telephone & Telegraph Company in 1918 as shown on this exhibit?

Mr. Wolff: $516,261.06.

Mr. Kittredge: How much was it for the State of Louisiana in the same period?

Mr. Wolff: Mr. Hoxsey testified on page 190 of the record that it was $184,755.00.

Mr. Kittredge: Mr. Yundt testified that were the receivers and transmitters owned by the Cumberland Company instead of by the American Company their maintenance cost would be $93,296.00. Does that include the return on the investment in such instruments?

Mr. Wolff: Yes, according to Mr. Yundt's answer to my question in Atlanta in that connection.

1000 Mr. Chipley: Your question?

Mr. Wolff: Yes, in Atlanta.

Mr. Chipley: Not here?

Mr. Wolff: No, I said in Atlanta.

Mr. Kittredge: How much would this make per station, or per instrument?

Mr. Wolff: This would make $1.37 per instrument,—the maintenance and return on the investment would make $1.37 per instrument.

Mr. Kittredge: How much would the difference between this estimated telephone rental and the licensee revenues paid to the A. T. & T. Company in the state of Louisiana amount to?

Mr. Wolff: $91,459.00. I might say that in his explanation to me Mr. Yundt stated that he had estimated 68,000 instruments at $6.86, which produced an investment, were the Cumberland Company to own the instruments instead of the A. T. & T. Company, of $466,480.00, and to determine what the maintenance cost and the return

on the investment would be he took 20% of that figure, which produced $93,296.00, to cover maintenance and return on that estimated hypothetical investment.

Mr. Kittredge: What does this difference represent,—this $91,459.00?

Mr. Wolff: That difference between the $93,296.00, estimated by Mr. Yundt, and the $184,755.00 licensee revenues testified to by Mr. Hoxsey for the year ending July 31, 1920, would represent payment to the parent company for a consideration other than the maintenance and payment for the use of transmitters and receivers,—in other words, service for various,—payment for various services alleged to be rendered to the Cumberland Company by the parent company. I don't know the details of those alleged services.

Mr. Kittredge: How have other states ruled with regard to compensation for those services?

Mr. Wolff: Some states have allowed it in full; other states have not gone into it and did not rule on it for the reason that even though some of it were eliminated it would not change the
1001 result materially. Still other states have rejected in part the payment of these licensee revenues on the ground that the services for which compensation is sought to be paid have not been properly proven by the company, an allowance being made of so much per instrument, and the excess added, for rate purposes, to the net income, increasing the net income.

Mr. Kittredge: Can you name any states which reported on or ruled adversely to this charge?

Mr. Wolff: Yes, there are a number of states that have done so. I would rather refer to a memorandum which I have in your book in that connection. In making my answer to your question, which was predicated on certain states having ruled adversely, I would like to be permitted to modify it, and say this: that I would like to include states which have criticised, although they have not ruled adversely. In Colorado,—it is California,—the Railroad Commission on October 9, 1913, in the case of the City of San Jose vs. Pacific Telephone and Telegraph Company, criticised the 4.5% payment, but payment on such account seems to have been allowed to be continued on a 2.5% basis. In other words, what the Commission allowed would figure 2.5% on the revenues rather than 4.5% on the revenues. In the District of Columbia, on May 26, 1920, the Commission allowed the item of expense covering the 4.5% payment, but it withheld its approval of the method of its determination; and suggested that the entire question be submitted to a national study. Before the Georgia Railroad Commission in the case of the City of Columbus vs. Southern Bell Company, the Commission stated: "We disapprove of this particular charge and are satisfied it should not be allowed in full". Now, just what the Georgia Commission has done in the recent telephone case before it I do not, for the moment, recall. I am of the opinion that the Commission allowed the 4.5% charge, however, in full?

Mr. Chipley: Did or did not?

Mr. Wolff: As I stated,—as to that, I have read the decision in

full, but I was more interested in other phases of it, which I will take up later. The Indiana Commission in the case of the
1002 Chicago Telephone Company, decided January 17, 1920, allowed $1.08 per instrument,—that was the majority opinion. The minority opinion, I believe, hold out for 55 cents per instrument.

Mr. Chipley: Do you believe or do you know?

Mr. Wolff: Well it was approximately 55 cents.

Mr. Chipley: Have you the opinion?

Mr. Wolff: I have the opinion somewhere in my papers, I expect. I have admitted that the majority opinion held to a charge of $1.08 per instrument.

Mr. Kittredge: In these states that you have mentioned did these companies have the same contract with the A. T. & T. Company that we have before us here?

Mr. Wolff: Yes, sir, the same contract.

Mr. Barrow: Just on that point, Mr. Wolff, do you know what the ultimate result of all of those opinions were,—were the contracts abrogated or are they still in effect?

Mr. Wolff: They are still in effect, but for rate making purposes the Commission recjected a portion of the payment and required it to be used in supplementing the net income. In other words, so far as the Commissions were concerned, for rate making purposes,—as to the Indiana Commission, that is,—the effect is the same as if the contract called for a payment of $1.08 per instrument.

Mr. Chipley: Wouldn't the cases speak for themselves?

Mr. Wolff: Well, I was asked to refer to them. In the case of the Central Union Telephone Company the Indiana Commission on February 9, 1920, said,—well, it held that the 4.5% payment was unbusiness like and unnecessary and that the matter should be referred to the National Association of Railway and Utility Commissioners for uniform solution throughout the country. It allowed the payment on the basis of the amount per telephone paid in 1918, but declined to allow an increase in payment by reason of the increased rates of 1920. In the case of the Southern Indiana Telephone Company the Commission allowed the same amount per station as
1003 was paid by petitioner in 1918, basing this decision on the Central Union Company case. In the case before the Kansas Commission, Missouri Telephone Company on February 20, 1918, the 4.5% payment was disapproved, but it was stated that its elimination and the inclusion of other allowances in lieu thereof would make no material difference in the result of the case at bar. Before the Maryland Public Service Commission, in the case of the Chesapeake & Potomac Telephone Company of Baltimore, August 18, 1920, the Commission endorsed the proposal of the Indiana Commission in the central Union case to the effect that the entire question of these payments to the A. T. & T. Company to a joint study to be conducted by the Association of Railway and Utilities Commissioners, in order that the question might find uniform solution throughout the country and said: "Meanwhile, for the purposes of this case we will consider such payment a reasonable expenditure."

The Missouri Public Service Commission in the Southwestern Telephone and Telegraph Company case, and the St. Louis rate case, on June 19, 1915, on which a rehearing was held in 1917 and which case is still undecided on the rehearing, held that the public should not be bound by the 4.5% contract and that the Commission would value the company's property as though they owned the instruments. That, however, has not been done yet, the case still being undecided. Then there are some other cases in Missouri, like the Carruthersville rate case; the Springfield rate case; the Charleston rate case,—in the Carruthersville rate case the 4.5% payment was disallowed and the instruments capitalized as though owned by the applicant company. In the Springfield rate case the 4.5% payment was approved. The Commission, however, disclaims any intention of approving the 4.5% charge in general as fair and proper, stating that the question was up in the St. Louis case.

Mr. Chipley: What is the date of the Springfield rate case?

Mr. Wolff: July 31, 1918. In the Charleston case, decided September 13, 1918, the Commission held that under the evidence in the case it would make no reduction on account of the 4.5%
1004 payment, and would leave final determination of the question as a whole to the decision in the St. Louis case. In the Aurora case, in the same state, the opinion in the Springfield case was referred to; and it was held that the charge in that case was so small as to not materially affect the issue of the reasonableness of the proposed rates of the company. In the Ohio State, now the Central Union Company, decided March 31, 1920, the Commission says that it is not proper to say that the amount paid was a fair value for the services rendered and that some more equitable standard should be devised for arriving at the value of the services rendered by the parent company. In Oklahoma, Pioneer Telephone Company, in the Enid rate case, March 8, 1910,—an old case,—the 4.5% was disallowed, and the Commission considered the transmitters and receivers as a part of the company's plant. On appeal to the Supreme Court, in that same case, the Commission's findings were set aside, without reference, however, on the point of the 4.5% payment. So, as far as that case is concerned, the ruling of the Commission on the 4.5% feature is the last word that has been said.

Mr. Chipley: It so happens that in that case I was counsel. I prepared it and tried it and I do not recall that that was an issue in the case at all.

Mr. Wolff: The 4.5% was disallowed in that case.

Mr. Chipley: The Supreme Court never touched it?

Mr. Wolff: I have said that. They did not pass on it, but the Commission disallowed it.

Mr. Chipley: But they reversed the Commission.

Mr. Wolff: On other points, but not on that.

Mr. Chipley: That is right.

Mr. Wolff: In the case of the Oregon Public Service Commission vs. The Pacific Telephone and Telegraph Company, known as the Oregon rate case, on October 4, 1917, the equipment owned by the A. T. & T. Company was included in the rate making

1005 value of the property and so much of the 4.5% payment as was paid to such ownership by the A. T. & T. Company was excluded from the operating expenses. In the case of the Pacific Telephone Company, decided May 1, 1919, the Commission expressed the opinion that the gross revenues of the company should have no bearing on the compensation paid to the A. T. — T. Company. The Commission included the value of the equipment owned by the A. T. & T. Company in the rate making value of the Pacific Company's property and deducted from the 4.5% payment, rental, depreciation and maintenance of the instruments, fixing and allowing on a per station basis what it considered a fair payment to the S. T. & T. Company for the remaining services performed by it for the Pacific Company.

The Pennsylvania Commission, in the case of the Bell Telephone Company of Pennsylvania, September 14, 1920, stated, or rather, concurred, in the suggestion of the Indiana Commission in the Central Union case, that the relationship between the A. T. & T. Company and its associated companies be submitted to an investigation to be held by the National Association of Railway and Utilities Commissioners, and offers in that case to associate itself in joint action with that association for such purposes.

Mr. Chipley: Did they approve it in that case—the Pennsylvania Commission?

Mr. Wolff: Well, the Pennsylvania Commission may have approved it in that case.

Mr. Chipley: And approved it in former cases also, didn't it?

Mr. Wolff: They may have done so, but they also said that the matter should be investigated; and their passing on it probably did not have any bearing on the result.

Mr. Chipley: But they did approve it?

Mr. Wolff: I will not say that they approved it, no.

Mr. Chipley: Did they disapprove it?

Mr. Wolff: I will not say that they approved it or disapproved it.

Now, in a case before the Virginia Corporation Commission,
1006 July 27, 1920, in re Chesapeake & Potomac Telephone Company, the Commission, in allowing the 4.5% as an item of operating expenses said that the contract with the A. T. & T. Company was of great value, but withheld definite approval of the methods of payment concurring in the suggestion made by the Indiana Commission in the Central Union case.

Mr. Kittredge: What did the New York Commission do?

Mr. Wolff: In the case with which I am familiar, that of the New York Telephone Company, decided in 1915, regarding rates in New York City, as I testified in the Alabama case, the Commission allowed in its calculations $1.00 per instrument. I neglected to say anything about that in the Mississippi case, being rushed there, as I am here, and left out some things, which no doubt will happen here to-, though I shall endeavor to cover everything. I noticed in the brief in the Mississippi case, which I saw in Atlanta, that Mr. Chipley states, on pages 40 and 41: "In this connection it is proper to state here that in the Southern Bell case before the Alabama Com-

mission, December, 1920, Mr. Wolff made the statement that the New York Commission had found that a proper allowance would be $1.00 per telephone instrument per year. In the brief filed by that company certain parts of the record in the New York case referred to by Mr. Wolff were incorporated, the effect of which was to give a complete negative to Mr. Wolff's statement. It is significant that Mr. Wolff did not refer to the New York Commission in his testimony before this Commission." I still maintain that the New York Commission in the 1916 case allowed in its calculations $1.00 per instrument, taking the balance of the 4.5% charge and adding it to net income for rate purposes, the same as other Commissions have done. I stand by my original statement on that.

Mr. Kittredge: In your statement or your testimony just now you referred two or three times to the Indiana case, in which this 4.5% contract payment was disapproved or disallowed, but in which some payment to the A. T. & T. Company was authorized, and you said that some other state had also approved that finding and the lower rate allowed. What was that?

1007 Mr. Wolff: I do not recall just what the figures were. In fact I have not figured it. I have not figured the amount to see how much per instrument it would make, but in that particular decision that I referred to in the Indiana case the majority opinion of the Commission allowed a payment of $1.08 per instrument and the minority opinion was apparently on the basis of 45 cents per instrument for those districts where the excess would have any material effect on the result.

Mr. Kittredge: Should this Commission rule as some of the others have done and allow $1.00 per instrument what would be added to the net income of the company in Louisiana?

Mr. Wolff: Well, as to the allowance of $1.00 per instrument, only one Commission that I know of has made the allowance on the basis of $1.00 per instrument in its calculations and that is New York. If that were done here $184,755.00 would be reduced by 62,273 times one dollar, that being the average number of stations in Louisiana for the year ending July 31, 1920, and that difference would be $122,482.00. In other words, the difference between the $1.00 per instrument and the total payment to the A. T. & T. Company on the 4.5% licensee charge is $122,482.00.

Mr. Kittredge: And if you accept the New York figures how much would be added?

Mr. Wolff: That was the New York allowance—$1.00 per instrument.

Mr. Kittredge: I said Mr. Yundt's figures.

Mr. Wolff: Oh; Mr. Yundt's figures were $93,296.00 and taking that from the $184,755.00 would leave $91,396.00.

Mr. Kittredge: If this increase asked for here were allowed how much would that increase add to the income in this state of the A. T. & T. Company under its contract?

Mr. Wolff: I will have to figure that. I will have to figure that from one of the company's exhibits. I will need Mr. Hoxsey's

exhibit 13 to determine that. Mr. Hoxsey in his Exhibit 13
1008 shows the total increase for the state as being $598,836.00. On the other hand he shows estimated increases on account of the increased expense level, increase in wages, as well as increased federal income tax, aggregating $339,721.00. Therefore, the net increase in net revenue would be $259,000.00, in round figures—the exact figure is $259,115.00. The Cumberland Company would pay to the American Company 4.5% of $259,115.00, which would make $11,660.67. However, there may be two or three little accounts of uncollectibles, which I have not the figures for here, but that would not change the result materially. I would say that it would be approximately $11,000.00.

Mr. Kittredge: But is not the 4.5% payment computed on the gross revenue of the company rather than the net revenue?

Mr. Wolff: It is, yes, sir.

Mr. Kittredge: Then should you not have computed it on the basis of $598,000.00 rather than $259,000.00? That is the estimated increased gross revenue.

Mr. Wolff: Yes, of course. I was wrong there. The payment or the figure would be $26,947.62, except for the reservation that I made above as *so* some few uncollectible items which may accrue.

Mr. Kittredge: Can you say how much further this payment to the A. T. & T. Company would be increased if the company puts in these 9,000 new telephones that they speak of in the next few years?

Mr. Wolff: In his Exhibit "Hoxsey-15," Mr. Hoxsey on that point—well, I would rather not make the computation from figures that I am not familiar with, but it can be determined in this way, if you have the gross revenue per station and multiply that unit figure by 9,000 stations you would get the amount subject to the 4.5% payment. I would prefer not to make the calculation on these exhibits, however, and tender it as anything other than an estimate.

Mr. Kittredge: Have you prepared an exhibits supporting Exhibit 10, showing detailed expenses?

1009 Mr. Wolff: Yes, my exhibit 14, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 14.")

Mr. Kittredge: Have you prepared another statement which will show that increase on the various classes of expense during the past five years?

Mr. Wolff: Yes, that is shown by my Exhibit 15, which I now offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 15.")

Mr. Wolff: Exhibit 15 is a comparison of the expenses for the company as a whole, the State of Louisiana, and the entire system outside of Louisiana, for the year ending July 31, 1920. I determined the company outside of the state of Louisiana by a process of elimination, having the figures for the company as a whole and

for the state of Louisiana, and I then got the other by deducting Louisiana from the whole. It will be noted in the first section of this exhibit the percentage of increase for the company as a whole is as follows: For ordinary repairs and rearrangements, $128.83 per cent; and following on down the line, station removals and changes is shown to be $12.63%, etc; taking the total expense we find that the increase for the company as a whole was 111.53% in that period for the State of Louisiana it was 165% outside of Louisiana it was 88.66%, so that the real comparison is in the last two sections—the State of Louisiana as compared with the territory outside of Louisiana, the percentages being 165% for Louisiana and 88.66% outside of Louisiana. In other words, Louisiana increased nearly twice as much in percentage as did the balance of the system outside the state. Now, taking up the elements going to make up this total, in detail, to account for, as far as we may, from this table, for that rather striking difference, the first item, ordinary repairs and rearrangements is shown to have been for La. an increase of 242%—I have dropped the decimal for convenience—outside of Louisiana it was only 101%. So that, on the basis of percentages Louisiana was nearly 140%, approximately, greater than the district outside of the state. Another striking difference
1010 is that the station removal and changes for Louisiana shows an increase of 60% as against only 8% for the district outside of the state. Traffic shows 216% for Louisiana, and 140% outside of Louisiana. Commercial shows 77% for Louisiana; and outside of Louisiana 31%. General and Miscellaneous for Louisiana is 108% and outside of the State 56%. I may say that it is incomprehensible to me, as an accountant, that there should be such vast differences as this table indicates for these expenses in Louisiana and the same expenses outside of Louisiana; and I certainly, if I were an auditor employed by investors in the plant, or for other purposes, to give my opinion as to the verity of the amounts, I would certainly not pass such a statement without going very much more fully into it.

Mr. Chipley: May I ask one question on that point, Mr. Kittredge?

Mr. Kittredge: Very well.

Mr. Chipley: You appreciate that this statement in one month includes Indiana and in the other month does not, don't you?

Mr. Wolff: You mean——

Mr. Chipley: Your statement here is for one month, is it not?

Mr. Wolff: No, sir, mine is for the calendar year 1915 as compared with the year ending July 31, 1920.

Mr. Chipley: Yes, that is right. Now, during that time, we disposed of Indiana, did we not?

Mr. Wolff: Well, when did you dispose of the Indiana property?

Mr. Chipley: I am asking you whether——

Mr. Wolff: There were some investments in Indiana disposed of probably in February, 1920, but that would not affect this statement.

Mr. Chipley: This statement shows that it cost more to operate in Louisiana than it did anywhere else?

Mr. Wolff: It does show that.

Mr. Chipley: Well, it is correct.

Mr. Wolg: Well, it would appear to show that, but the statement does show that there are a great many reasons for looking
1011 further into this thing. It does not show that it necessarily cost more to operate in Louisiana,—let me correct that answer to you,—it does show that you apparently increased your expenses more in Louisiana than you did outside of Louisiana, if these figures are correct and proper,—if you have not loaded Louisiana with expenses which should be charged against the other states. As an Auditor, this thing would strike me——

Mr. Chipley: You think they are crooked figures, then?

Mr. Wolff: I have not said that.

Mr. Chipley: That is all I wanted to know. Go ahead.

Mr. Kittredge: Have you prepared a statement showing the ordinary repairs and replacements month by month for the year ending July 31, 1919, as compared with the year ending July 31, 1920, and for the intervening years?

Mr. Wolff: Yes, my exhibit 16, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 16.")

Mr. Wolff: I had not sufficient time to prepare this statement to cover the entire state, owing to the great number of districts outside of New Orleans; and therefore I have taken it for New Orleans alone.

Mr. Chipley: Are these replacements,—current repairs or replacements?

Mr. Wolff: Ordinary repairs,—current repairs. This statement shows a comparison for the past four years, ending July 30, 1920, month by month, of ordinary repairs for the City of New Orleans. To work up this data for the state alone would have required a great deal additional time and assistance and I had neither, and, as I have said, I took New Orleans alone. For the year ended July 31, 1917, the total was $110,166.07; while for the year ended July 31, 1920, it was $248,921.63. In other words, there was an increase of about $138,000.00 for ordinary repairs in that city between 1917 and 1920. The increase between 1917 and 1918 was $24,845.25, which is
1012 at the rate of 22.55%, while for the period between 1918 and 1919 it was at the rate of 16.42%; while for the period between 1919 and 1920 it was at the rate of 58.36%. There are striking differences here, which would seem to me to warrant a further investigation. It would seem to me to indicate, with respect to this particular item, that possibly repairs which should have been made in previous years had been deferred and were made in that year—the year ended July 31, 1920; and, if that is the case, it would make that year an abnormal year; and not a fair period on which to base an application for higher rates, or to make a comparison, or to consider as normal. I endeavored to have these figures explained to my satisfaction, and so deputized assistants in the employ of the city of New Orleans to work at the office of the com-

pany in that city to go over the records and get from them the number of hours spent on repair work. With that compilation we would have been concerned, of course, and could have made allowances for any increased costs in both labor and material that there may have been, but, as I stated before there was not sufficient time in which to complete our program. I had some of the figures handed to me just before I left for the train, but I have not had time to go over them. Should this hearing go over until tomorrow I may have time to go over them, and, if so, testify concerning them.

Mr. Kittredge: Aren't these abnormal, and, I may say, rather astounding increases, absolutely essential,—a check of them, that is,—to this case, in your opinion?

Mr. Wolf: Absolutely so, and particularly so in the light of a reference I am to make in a subsequent exhibit as to the amount of extraordinary repairs charged against the reserve in the last three of four years. There may be, in these figures, repairs which would ordinarily be considered extraordinary repairs; and would, or should, therefore, be charged against the reserve which was created out of earnings of previous years, just for that purpose.

Mr. Kittredge: Have you made a comparison of these ordinary repairs for New Orleans with the investment in New Orleans?

1013 Mr. Wolff: I have, yes, sir, my Exhibit 16-½ which I introduce.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 16-½.")

Mr. Wolff: This exhibit shows the relation of ordinary repairs and fixed capital, the repairs being made on property which bore some relation to the property, and in my endeavor to have these differences explained it occurred to me that possibly there was much more property in existence on July 31, 1920, than on December 31, 1916, 1917 or 1918. So I set down the average investment and deducted from that the land and working capital, on which there would be no repairs, to get the net average investment to which the repairs would bear some relation. I find that in 1916 the ordinary repairs to net investment was 2.99%; in 1917, 2.87%; in 1918, 2.92%, or practically the same for all of those years; while for the year under consideration, the year ending July 31, 1920, it was 4.53%. Stating it another way I deducted the investment as of December 31, 1916, from the investment on July 31, 1920, and determined that the increase was $1,646,840.86. I did the same with the ordinary repairs, deducting 1916 from 1920, and the increase was $133,840.33; and the increased repairs on the increased investment was, therefore 8.13%.

Mr. Kittredge: Has depreciating anything to do with repairs?

Mr. Wolff: Well, as a matter of fact, for some utilities repairs and depreciation are practically synonymous, and an allowance is made to cover both. From that allowance is deducted the amount of repairs for the year, and the balance is considered depreciation. So, to illustrate; suppose the alowance for the year was $200,000.00;

and the repairs were $150,000.00, the amount that would be put to the depreciation reserve would be $50,000.00.

Mr. Chipley: Is that the rule of the Interstate Commerce Commission?

Mr. Wolff: That is the rule which some utilities have adopted, particularly electric and has companies.

1014 Mr. Chipley: Are they under the jurisdiction of the Interstate Commerce Commission?

Mr. Wolff: They are not so, sir. Therefore it is that I say that repairs and depreciation do have a close relationship. As a matter of fact some engineers have claimed, particularly in the earlier days, that there is no such thing as depreciation,—that your maintenance covers everything; and others, when they refer to depreciation, call it deferred maintenance.

Mr. Chipley: Ever read the annual report of the Pennsylvania Railroad for the year 1854?

Mr. Wolff: No, I don't believe I have.

Mr. Chipley: Neither have I. Like some other things, it is too antiquated to be of interest.

Mr. Kittredge: Have you prepared a statement showing the depreciation reserve the company has built up.

Mr. Wolff: Yes, that is shown in my Exhibit 17, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 17.")

Mr. Wolff: This statement shows the reserve for accrued depreciation. The first column shows the balance at the beginning of the years from 1914 to 1919; and the second column the credits during the year, which means, in non-technical language, the amount added to the reserve during that year; the next column shows the debits during the year; and the last column shows the balance in the reserve at the end of the year. It will be noted that the reserve has increased from January 1, 1914, from $4,031,824.08 to $5,988,674.02. This increase is even more if you were to compare January 1, 1914, with December 31, 1920, as being approximately $3,200,000.00. I don't know what was put into the reserve during the year 1920, or what was taken out, but it would appear, if the reserve had increased during the year 1920 over $1,000,000,—possibly $1,200,000.00. It will be noted that from 1917 on the amount that

1015 was put into the reserve exceeded the amount taken out by over $500,000.00; and in 1918 by more than $700,000.00; and in 1919 by more than $1,000,000.00; and in 1920 I believe it was approximately $1,200,000.00.

Mr. Chipley: Have you the figures?

Mr. Wolff: I have not the figures, no, sir, but Mr. Hoxsey stated this morning that there was some $7,200,000.00 in the reserve. Now, if there was approximately $6,000,000.00 in the reserve at the end of 1919, it follows, therefore, that the amount of the reserve was increased by in 1920 was $1,200,000.00. In other words, for the past four years, a great deal more has been put in the reserve than has been taken out. This amount which is put to the reserve, as

the same time it is put there is charged to the expense of the company, in addition to the regular dollars and cents disbursements. It is a book figure.

Mr. Kittredge: Have you an analysis of the debits and credits to the depreciation reserve?

Mr. Wolff: Yes, that is shown in my Exhibits 18 and 19, which I offer.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 18.")

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 19.")

Mr. Wolff: Exhibit 18 shows the amount that was added to the reserve for accrued depreciation, in column 3, under the head of "total credits."

Mr. Kittredge: Now, the column headed "Annual per cent average" shows that in 1914 it was 4.20%; in 1915 4.04%, in 1916 4.99%—just read them into the record, Mr. Wolff.

Mr. Wolff: Well, as you have just started to read them, it shows that in 1914 it was 4.20 per cent; in 1915, 4.04 per cent; in 1916 4.99 per cent; in 1917 4.97 per cent; in 1918 5.25 per cent; and in 1919 5.88 per cent. It will be noted that the credit to the reserve have been increasing from year to year, so that the 1914 fig-
1016 ure, $1,374,819.40 was in 1919 $2,202,613.31. Exhibit 19 shows an analysis of the debits to the reserve, which means the amount taken out of the reserve for replacement and for extraordinary repairs, allowance for which is made from year to year and charged to expense. I wish to call particular attention to the column entitled "Extraordinary Repairs." It will be noted that the amount of extraordinary repairs for 1916 was $437,237.10,——

Mr. Kittredge: What exhibit are you referring to?

Mr. Wolff: To exhibit 19. In 1917 it was $267,943.13; in 1918, $255,828.61. In 1919, part of which year would be in that period ended July 31, 1920, it was $82,195,66. In other words it dropped down from $437,000.00 to approximately $82,000.00, or about twenty per cent. I do not know how much extraordinary repairs were charged against the depreciation reserve for 1920, but I do know that $1,200,000.00, approximately, was added to the reserve in that year. In other words, there was that much more put into the reserve than was taken out. Also I do know that ordinary repairs, which are charged directly to expense, have increased vastly as indicated in these exhibits, while on the other hand extraordinary repairs, which would be charged against the depreciation reserve, and go to reduce it, and would not affect your current expenses, have diminished very markedly. Now, if I were an auditor making an examination of these books for any purpose, and to render a report over my signature, I certainly would not give my opinion, for instance,—give my opinion on it without having an adequate explanation for these increased ordinary repairs, on the one hand, which go to increase the expense so much, and the decrease, so

striking, in the extraordinary repairs. It may be, although I do not say it is so, but an auditor is always more or less a detective, and it is always in his mind—it may be that there was considered as ordinary repairs in 1920, items which would ordinarily be charged against the depreciation reserve. In effect, were that done, it would mean a virtual duplication in your expense, in this way:

1017 First, that you would be making provision for these extraordinary repairs in your depreciation reserve, and then, when these extraordinary repairs actually were made instead of charging them against the reserve they would be added in your expense, and still your reserve would go increasing. The suggestion was made, although it probably did not reach the record, that there may have been storms which would account for these extraordinary repairs. Possibly, that may be so,—in 1916,—but I call your attention to the fact that, excluding 1916, if there was a storm in that year, and I do not know, the average amount charged against the reserve for extraordinary repairs was approximately $275,000.00 per annum. Taking the four years of 1914, 1915, 1917 and 1918, it shows approximately that result. In 1919, however, it dropped down to about $82,000.00, or about thirty per cent of the ordinary amount, excluding this one year which might possibly contain figures relating to a storm. However, between the same years, 1918 and 1919, the ordinary repairs have gone up very much, but I used there as my comparison the year ended July 31, 1919, as compared with the year ended July 31, 1920. I have compared the ordinary repairs with the extraordinary repairs and I find that between 1916 and 1919 that the ordinary repairs for the Company as a whole had increased 78.5 per cent. while the extraordinary repairs which do not effect earnings, had decreased 81.2 per cent. Stated in another way, in 1916, the relationship of extraordinary repairs to ordinary repairs was 33.7 per cent. In other words, for every dollar spent for ordinary repairs there was also spent 33.7 cents for extraordinary repairs. For every dollar spent for ordinary repairs there was spent 33.7 cents for extraordinary repairs in 1916, while in 1919, for every dollar spent for ordinary repairs there was spent 3.5 cents for extraordinary repairs.

Mr. Kittredge: Have you the figures for 1920?

Mr. Wolff: No, I have not the figures for 1920,—nothing

1018 beyond 1920, as the Company's report to the Interstate Commerce Commission was not ready.

Mr. Chipley: Appropos of that, do you know of any recent ruling of the Interstate Commerce Commission upon the question of reports?

Mr. Wolff: No, sir.

Mr. Kittredge: What rate of depreciation is the Cumberland Company setting up at the present time in Louisiana?

Mr. Wolff: Well, I am somewhat uncertain as to what the actual rate is, as figures were testified to here this morning which are a little at variance in the light of what I had in mind from some previous exhibits.

Mr. Kittredge: Well, as of July 31, 1920, what is it?

Mr. Wolff: From a statement handed to me in Atlanta, by Mr. Holdrich, General Auditor of the Company, there is a composite depreciation rate for Louisiana for the year ended July 31, 1920, of 6.078 per cent. Mr. Hoxsey figured it just a little more, but the difference, I expect, may be accounted for by land being in one and excluded in the other.

Mr. Kittredge: Has the Cumberland Company reduced its rate of depreciation within the past few years?

Mr. Wolff: Mr. Yundt this morning stated something to that effect, and that again, is contrary to what I had in mind, I had been informed in Atlanta that there had not been any reduction in the depreciation rate in the past few years,—it all depends upon what you mean by "the past few years" I suppose.

Mr. Kittredge: What did the A. T. & T. Company recommend as a result of a country-wide study of depreciation?

Mr. Wolff: Its latest study of depreciation showed the depreciation rates should be less than they were and in its new schedules reduced its rate as to the New York Telephone Company.

Mr. Chipley: Has the A. T. & T. Company ever issued any instructions on the matter of depreciation rates?

1019 Mr. Wolff: I had a conference with Mr. Whittemore, Chief Engineer of the New York Telephone Company, in relation to some exhibits which his Company presented in the Syracuse and Buffalo cases. I asked how the depreciation rates were determined, what the rates were then, and what they were before Federal control, and he gave me the information, and I noticed that there was a decrease in a great number of items,—the composite rate had been decreased. I asked for an explanation of that and his explanation was that the latest nation-wide study of the A. T. & T. Company,—taking the experience of the A. T. & T. Company in the national study, and their own local experience, indicated that they should reduce their depreciation rates. He further stated that this country-wide study was made for the benefit of the subsidiaries of the A. T. & T. Company.

Mr. Chipley: That is news to us.

Mr. Wolff: Possibly you are not getting full value for your 4.5 per cent.

Mr. Chipley: We are well satisfied with what we are getting.

Mr. Kittredge: Did the New York Telephone Company reduce its depreciation rates?

Mr. Wolff: It did, yes, sir. Mr. Chipley stated yesterday, and I am afraid very erroneously, that I testified in the Mississippi case to five per cent as the composite rate of the New York Telephone Company. I testified in the Mississippi case, as I recall it, that the New York Telephone Company reduced its depreciation rate approximately ten per cent. I had wired to one of my New York assistance on the day before I took the stand in Jackson, Mississippi, and I received his answer on the morning of January 22nd, in which he stated, from data on file in my office, that the composite

present annual rate of depreciation used on the physical property in the year ended December 31, 1919, on the basis outlined, including right-of-way was 5.78 per cent. The same base rate prior to Federal control, 6.41 per cent. In other words, there was a reduction of .63 which is approximately ten per cent.

1020 Mr. Kittredge: Have you made a comparison between the present rates of depreciation of the New York Telephone Company and the Cumberland Company?

Mr. Wolff: I have, yes, in my Exhibit No. 20, which I offer in evidence.

(The exhibit, so offered and identified, was thereupon received in evidence and marked "Wolff's Exhibit No. 20.")

Mr. Wolff: The statement was made this morning, by Mr. Yundt I believe, that he took the comparison that I made in Mississippi, wherein I lined up one against the other in depreciation rates for each class of property of the New York Company and the Cumberland Company, and that he found that applying the New York Company's rate to the identical property in Louisiana, or Mississippi, I don't know which,—Louisiana I believe, that the composite rate of depreciation was increased in Louisiana over the figures that the Company used. The explanation for that is, in all probability, that this Company's methods of classification are different from those used in New York. For instance in the State of Louisiana the average exchange lines and equipment amounted to something over $7,000,000.00,—$7,013,000.00; toll line equipment was $2,833,000.00, one being approximately forty per cent of the other,—toll being about forty per cent of the exchange. Now, in the City of Syracuse exchange line and equipment was $3,922,000.00 as against $164,000.00 for toll, or less than one half of one per cent, while here the ratio was forty per cent. For Buffalo the figures for exchange lines and equipment were $10,456,000.00 and for toll lines and equipment $405,000.00, or only about three per cent of the exchange. If I had Mr. Hoxsey's Exhibit 9 I could make the same comparison for New Orleans. Here I was comparing the State, but manifestly it would be better if I were to compare New Orleans with Buffalo and Syracuse.

Mr. Chipley: It is on file here, Mr. Wolff.

1021 Mr. Wolff: Oh, yes. I want to correct the statement I made there. I made the statement that the toll lines and equipment in Syracuse was approximately one half of one per cent of the exchange lines and equipment. As as matter of fact it is approximately four per cent. New Orleans shows an average in exchange lines and equipment of $3,999,000.00, as against toll lines of $787,000.00, or approximately twenty per cent. In other words the ratio of toll to exchange is about twenty per cent, while in Syracuse it is about four per cent and Buffalo about three per cent.

Chairman Taylor: How do you account for that?

Mr. Wolff: It is a difference in the method of classification. The company up there claims it cannot split any hairs in determining what is toll and what is exchange property, and they throw all

doubts over to exchange property. For instance, there is no central office property at all considered, as near as I can recall, as toll property in the North.

Chairman Taylor: It is due — their system of dividing accounts and their methods of bookkeeping, then?

Mr. Wolff: Yes, the system of classification and accounts is different from that used here,—the method of dividing between toll and exchange. If the Cumberland Company had employed the same methods used in New York its ratios would more nearly correspond as between exchange and toll property to the New York figures; and if you were to apply the New York depreciation rate your composite figure would be less than the one used.

Mr. Chipley: It is just the reverse, sir.

Mr. Wolff: Well, I disagree with you.

Mr. Kittredge: Have you your Exhibit No. 20 there, Mr. Wolff?

Mr. Wolff: Yes, I have offered my Exhibit No. 20 but I have not explained it. This exhibit 20 shows a comparison similar to that which I made in the Mississippi case, but since I made that comparison there, and since this exhibit was prepared, Mr. Holdrich, the General Auditor, or, rather, some one of the Company's witnesses, placed in evidence an exhibit showing the basis for depreciation,—the last basis for depreciation,—and I notice here that exchange right of way, for which I show no percentage of depreciation for the Cumberland Company, in going by the statement which Mr. Holdrich gave me, on which that particular item shows a dash (—), indicating nothing, is shown on this other statement as five per cent for exchange right of way. Also toll right of way is 2.5 per cent, while on the statement handed me by Mr. Holdrich that item also had a dash (—) indicating that there was no depreciation; so that my exhibit should be corrected and added to the Company's depreciation rates should be these figures; five per cent for exchange right of way, which would be one per cent less than in New York, and 2.5 per cent for toll right of way instead of nothing. This statement shows that out of the twenty two items on it fourteen are lower in New York than in Cumberland territory, seven *or* higher, and one is the same.

1022

Mr. Kittredge: What is the latest telephone decision in New Jersey by the Public Utilities Commission as to depreciation?

Mr. Wolff: The latest decisions I have here are as of December 16, 1920, in two important cases; that of the New York Telephone Company for the northern part of New Jersey, and that of the Delaware & Atlantic Telephone Company, for the southern part of New Jersey. In one or the other of those decisions, and possibly in both, from newspaper accounts, I took it to mean both, but I have been able to obtain a copy of only one decision, the depreciation which the company was allowed there, for rate purposes, by the Commission, was five per cent, and the excess was added to the net income.

Mr. Kittredge: If this Commission were to decide as the New Jersey Commission did what would be added to the net income in Louisiana?

Mr. Wolff: There would be added approximately one and one

tenth per cent on the rate basis claimed in Hoxsey's Exhibit 9, $119,300.00.

1023 Mr. Kittredge: That is what?

Mr. Wolff: That is the amount that would be added to the net income of Louisiana were this Commission to decide as New Jersey did, limiting depreciation to five per cent per annum.

Mr. Kittrdge: And on the basis that they earned 5.92% last year what would that raise the percentage to?

Mr. Wolff: Well, something like 6.09%, or in round figures, 7%.

Mr. Kittredge: Have any other commissions limited the depreciation to be allowed on telephone property?

Mr. Wolff: The latest decision of the Illinois Commission, issued on December 30, 1920, there shows that the depreciation was cut down to the amount necessary for retirements only. In other words, nothing was allowed to be added to the depreciation reserve. That was based on the experience of the last few years. The company there, as is the case here, had been taking out much less from its depreciation reserve than it had been putting in, and the Commission ruled that for rates purposes it would consider only the amount necessary for replacements as chargeable to expense. The effect of that decision is that the depreciation was cut to approximately 3%, which was approximately the amount taken out of this reserve, in the past three years.

Mr. Kittredge: Are you familiar with the latest decision of the Indiana Commission?

Mr. Wolff: I don't know that I am familiar with the latest decision, but I am familiar with two cases; one, case 690, decided March 8, 1916; and another one, I believe Case 1709, which reaffirms the original decision with respect to depreciation.

Mr. Kittredge: If you have that decision please read the portion of it pertinent to the question you are discussing.

Mr. Wolff: "The company's witnesses in this case contended that it should be entitled to create in the immediate future and thereafter maintain a depreciation reserve normally equal to from 20% to 25% of its plant investment. We have carefully considered

1024 this contention, both from the point of view of the company's probable requirements in the future and the actual experience of the past. Our conclusion is that the public should be required to create a depreciation reserve not normally exceeding 20% of the plant investment, as same appears from time to time. After this reserve has been created and the property in its entirety comes to be valued it will be found that four-fifths of the same belongs to the stockholders and that one half has been contributed by the public. This advance will have been made by the public as its guarantee that so far as it is concerned the company will at all times be in position to make replacements of its property when and as they are required for efficient service; and the reserve of 20% being created and invested in its plant the company would be entitled to earn upon 80% of the total investment. Of course, it cannot be expected that the depreciation reserve of 20% of the plant investment would remain that that precise percentage for any appreciable period

of time, for the very purpose and being of the reserve presupposes it will fluctuate from month to month with certain drafts thereon for replacements. Therefore, when we speak of 20% depreciation reserve we mean a reserve whose normal average shall be approximately 20% of the total plant investment. One of the company's witnesses further contended that the size of the reserve to be created by a public utility is a question to be determined by its executive officers and that for a Public Service Commission to attempt to determine that question would be for it to usurp the functions of such executives. We see strong reason in this contention and believe it to be correct. Therefore, it is that we say that the public shall not be required to create a reserve of over 20%. If the executives of the Company feel that a larger reserve is required for the proper administration of the affairs it will be at liberty to create the same either out of surplus or out of money dericed from outside sources, as they may elect."

1025 Mr. Kittredge: What did the Illinois Commission state in its decision in the Chicago Telephone case, last December 30?

Mr. Wolff: On page 21, the Commission states: "The record further shows that the amounts charged to operations as an allowance to create a reserve against depreciation have been more than adequate to cover all expenditures for replacements actually incurred by the company for an extended period of years. It appears, therefore, that any further additions to the depreciation reserve over and above the actual requirements for replacements are unnecessary and should not be allowed during the present period, which is one of general financial readjustment."

Mr. Kittredge: Were this Commission to follow the two opinions you have just read from, being judgments of the Commissions of Illinois and Indiana, what would be the effect, or what would have been taken from the expenses because of additions to the depreciation reserve for the year ended July 31, 1920, and added to the net income of the company?

Mr. Wolff: That would require quite a computation, which I have not made. I could compute it and supply the figures later on. It would of course, add something material to the net income of the company. If you were to follow the Illinois Commission and limit it to 3%, which is about the same percentage of retirements to fixed capital as exists with regard to this company, per year, and your depreciation rate is 6%, the excess for this purpose would be 3%. Now 3% on something over $11,000,000.00, which Mr. Hoxsey used as his rate basis would give you something like $350,000.00 to be added to the net income of the company.

Mr. Kittredge: Have you read the petition of the Consolidated Gas Company of New York, praying to be permitted to intervene in the matter of the application of the New York Telephone Company, before the Commission in that state, in which authority is being sought to establish a new and higher basis of rates for telephone service in New York City?

1026 Mr. Wolff: Yes, sir, I have.

Mr. Kittredge: What is their principal contention?

Mr. Wolff: It objects principally to the telephone company being allowed to build up a depreciation reserve out of charges against operations. The Gas Company claims, like the Illinois Commission that the telephone company should be allowed only the annual retirements. The Gas Company has intervened in that case on the side of the City of New York, even though the City of New York has a case pending at this time against the Consolidated Gas Company involving an increase in gas rates. In other words, the company claims,—the gas company claims,—that the telephone company has been charging too much to its expenses on account of unrealized depreciation, so-called, and that it has built up an enormous reserve out of its earnings.

Mr. Kittredge: Mr. Wolff, please file your Exhibit 21.

Mr. Wolff: I file my Exhibit 21.

(The Exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 21.")

Mr. Kittredge: Do you care to read or comment on this Exhibit.

Mr. Wolff: No, I think it speaks for itself.

Mr. Kittredge: Have you prepared a table which will show the increase in investment as compared with the increase in the depreciation reserve of this company.

Mr. Wolff: Yes, that is my Exhibit 22, which I now offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 22.")

Mr. Kittredge: Please explain this exhibit.

Mr. Wolff: I have prepared this exhibit, showing the ratio of increase of fixed capital and depreciation reserve. There is a misprint there. It should be from January 1, 1917, to October 31, 1920. The column "Increase in Investment—Fixed Capital"
1027 shows the increase during the year 1917 to have been $1,956,236.69. The next column "Increase in Credit Balance in Reserve for Retirement of Fixed Capital" shows the increase in the reserve as being $523,493.01; and the relation between the Increase in the depreciation reserve and the increase in the investment in fixed capital is 26.74%. In other words, for every dollar added to fixed capital investment there was added to the depreciation reserve 26.74 cents, which might mean, and in the New York Telephone case the Consolidated Gas Company charges that it does mean, that for every dollar of fixed capital put into the property 26 cents was taken out in excessive depreciation. The same comparison is made for the subsequent years, so that the total increase in investment in fixed capital from January 1, 1917 to October 31, 1920, is $10,438,551.64 as against an increase in the reserve of $3,535,776.57 or 33.77%. The Consolidated Gas Company shows a similar statement in its petition in the New York case; and, I may say, that is where I got the inspiration for this exhibit.

Mr. Chipley: When you say the New York case what case do you refer to Mr. Wolff?

Mr. Wolff: I refer to the application of the New York Telephone Company for higher rates in the city of New York, now pending before the Public Service Commission for the Second District, in which the Consolidated Gas Company intervened.

Mr. Kittredge: What percentage of the amounts set up for depreciation during the past few years were used for the retirement of fixed capital?

Mr. Wolff: In my statement, reserve for accrued depreciation during the year 1917, it was shown that 68.02% was taken out for 1917; that 64.2% was taken out for 1918; and for 1919 52.9%. In other words, for 1919 for every dollar put into the reserve only 52.9 cents was taken out. I don't know what the figures are for 1920, but I judge that the increase in the depreciation reserve will show a similar result, but whether more or less, I cannot say. That shows a condition similar to that to which the Consolidated Gas Company and the Commissions of Maryland and Illinois called attention to.

1028 Mr. Kittredge: Have you prepared a statement showing the taxes paid by the Cumberland Company in the various states from 1914 to 1919?

Mr. Wolff: Yes, that is my Exhibit 23, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 23.")

Mr. Kittredge: Is the federal income tax included in this statement?

Mr. Wolff: I believe it is. There is an item here called "U. S.," and I would imagine that it includes the federal income tax. Just how much it is I do not know.

Mr. Kittredge: Do you consider income tax a proper charge against operations?

Mr. Wolff: Many Commissions criticise the practice of charging taxes against operations. The last ones that I know of did so; and there may have been others since. I am not up to the minute on it. I know that that was done in Washington, D. C., in the matter of railway fares. In this decision, as reported by the "Evening Star," —I have not an official copy of the decision—it is stated: "It also appears from the evidence that deductions have been made by petitioners since July 1, 1920, of approximately $3,750.00 per month for the purpose of paying federal income taxes. Several of the state public utility commissions have already questioned the propriety of charging federal income taxes as a part of operating expenses. This Commission concurs in the opinion that federal income law contemplates that the burden shall be imposed upon the corporations and paid out of net profits, and not passed on to the public."

Mr. Chipley: What has the Interstate Commerce Commission to say about that?

Mr. Wolff: I don't know.

Mr. Kittredge: If the income tax is eliminated in this instance how much would it add to the net income of the company for the year ending July 31, 1920?

1029 Mr. Wolff: I have not the figure, but Mr. Hoxsey testified this morning, I believe, that it would amount to something like $11,000.00, as I have it noted here.

Mr. Kittredge: Have you prepared a statement showing the return on investment in the state of Louisiana from January 1, 1916, to January 31, 1920?

Mr. Wolff: Yes, my Exhibit 24, which I now offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 24.")

Mr. Wolff: This statement shows the investment, revenues and expenses, as well as net revenue, arranged in the same way as was Hoxsey's Exhibit 9 was, for the state of Louisiana from January 1, 1916, to July 31, 1920, showing the percentage of net revenue to investment in each year. The statement shows that in 1916 the per cent was 7.43%; in 1917, 8.51%; in 1918 6.13%; in 1919, 5.59%; and for the year ended July 31, 1920, 5.92%. There would be, of course, an over-lap of five months in 1919. In other words, five months of 1919 would be in the column headed "1919," and the one *in* July 31, 1920. This statement is my authority,—in combination with similar statements,—is my authority for the opinion expressed this morning that Louisiana has been carrying some of the other states for the past five years at least.

Mr. Kittredge: Have you prepared similar statement covering the same period for the city of New Orleans?

Mr. Wolff: Yes, my Exhibit 25, which is offered.

(The exhibit, so offered and identified, was thereupon received in evidence and marked "Wolff's Exhibit 25.")

Mr. Wolff: This statement is arranged in a similar way and shows some statistics regarding the city of New Orleans for the same period of time as covered by Exhibit 24, which is for the state of Louisiana as a whole. It will be noted that the city of New Orleans' earnings,—net revenue to investment,—was 10.08% in 1916; 10.17% in 1917; 7.33% in 1918; 5.40% in 1919; and 5.20% for
1030 the year ending July 31, 1920. These percentages, of course, are on that average investment, which includes the investment out of the depreciation reserve, the depreciation reserve not having been deducted from the rate basis. The bonds, bearing interest at 5%; and the notes, such as they were, in those years, bearing a rate of interest of not more than 6% and possibly 5.88%, would indicate that the return on capital stock would be much higher percentage than these figures show. In other words, a 10% return on your average investment, without deducting accrued depreciation, would probably show 20% available as dividends on capital stock. You will remember that 8.23% return on the average investment, in that same way, showed 15% return on the capital stock. In that same connection, I believe, a case which went to the federal courts in 1909, concerning the earnings in New Orleans or in Louisiana,—which was it?

Mr. Kittredge: Louisiana.

Mr. Wolff: —showed that the petitioners, which I believe was this Commission, stated that the earnings in the state were something like 15% or 20%,—correct me if I am in error——

Mr. Chipley: On the property?

Mr. Wolff: Well, what it was I do not recall, but the commission alleged that the earnings were 15%. I remember reading that any way, whether it was on the property or on the capital stock, though, I don't recall.

Mr. Kittredge: I do not recall myself. However, have you prepared a statement showing the comparison between the city of New Orleans and the balance of the state with regard to the rate of return?

Mr. Wolff: Yes, my Exhibit 26, which is offered.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 26.")

Mr. Wolff: This exhibit 26 shows a comparison of net earnings in New Orleans with the balance of the State of Louisiana for the years 1917 to 1920, inclusive. The next to the last column is headed "Per cent of difference in rate of return between New Orleans and balance of state," and it shows that the rate of earnings on the basis of percentages, in New Orleans, for 1917, was 46.75% greater than in the balance of the state; that for 1918 it was 50.82% higher than the balance of the state; while on the other hand, in 1919, the balance of the state was .67% in excess of New Orleans; and that in 1920 it was 22.27% in excess of New Orleans. It is incomprehensible to me, without further investigation, that what was a difference of 46.75% in favor of New Orleans in 1917 should have reversed itself by 1920 to show a leaning the other way to the extent of 22.27%.

1031

Mr. Chipley: Would not the fact that the rates have been raised in all other cities in the state, except Shreveport, throw some light on that, Mr. Wolff?

Mr. Wolff: It may,—I said "without further investigation." It might also mean that you have been charging relatively more expense to New Orleans than to the balance of the state; just as in a previous table I showed that your expenses in the whole state of Louisiana had increased much more, relatively, under all the circumstances, than in the balance of the territory in which the Cumberland Company operates; which might mean that you are charging to Louisiana expenses which should be charged against other states.

Mr. Kittredge: What dividends has the Cumberland Company been paying?

Mr. Wolff: Dividends have been paid continuously from 1892 up to the present time, ranging from 4% to 8%. Since 1914 it has been 6%.

Mr. Kittredge: Who owns the stock of the Cumberland Company?

Mr. Wolff: Practically all of it is owned by the Southern Bell Telephone Company.

Mr. Kittredge: Who owns the stock of the Southern Bell Company?

Mr. Wolff: I believe all of it is owned by the American Telephone and Telegraph Company.

Mr. Kittredge: Have you prepared a statement of the financial condition of the American Telephone and Telegraph Company?

1032 Mr. Wolff: Yes, that is shown by my exhibit 27, which I now offer,—it is also covered by Exhibit 28, which I offer.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 27.")

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 28.")

Mr. Kittredge: Have you prepared a statement of the income account of the A. T. & T. Company?

Mr. Wolff: Yes, that is shown by my Exhibit 28, and also by Exhibit 29, which I now offer.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 29.")

Mr. Wolff: I wish to comment a little on the exhibits 28 and 29. They show the financial condition of the A. T. & T. Company. Exhibit 28 shows the asset side and Exhibit 29 shows the liability side. I call attention to the apparently strong position of this company in that it has a reserve for accrued depreciation on December 31, 1919, of $24,478,817.33, as against a total investment in fixed capital and construction work in progress of approximately $105,000,000.00, which is a ratio one to the other, after including $771,291.25 reserve for amortization of intangible capital, or approximately 25%. In other words, for every dollar of fixed capital on the books of the company there is 25 cents in the reserve for depreciation and amortization of intangible capital. Also that the corporate surplus, unappropriated, of the company on December 31, 1920, is $81,448,201.52, which, plus other surplus reserve of $24,759,322.65, makes a total of $106,207,524.17, the total corporate surplus being approximately 25% of the capital stock outstanding, par value.

Mr. Kittredge: What is shown as capital stock outstanding?

Mr. Wolff: At par value $441,981,200.00.

Mr. Kittredge: Is that the capital of the company at present?

Mr. Wolff: Well, I don't know whether that is the figure for this date of not, but that is as of December 31, 1919. They were

1033 the latest figures available to me.

Mr. Kittredge: Have you prepared a statement showing the earnings of the A. T. & T. Company?

Mr. Wolff: Yes, my Exhibit 30, which I offer in evidence.

(The exhibit, so offered and identied, was thereupon received in evidence, and marked "Wolff's Exhibit 30.")

Mr. Kittredge: What does it show?

Mr. Wolff: This statement shows the earnings of the A. T. & T. Company out of its telephone operations during the 11 months ended November 30, 1919, as compared with the 11*th* months ending November 30, 1920. It does not include any returns to the A. T. & T. Company on its investment securities represented by the capital stock of the underlying companies, or other investments. It shows that the operating income, Item No. 23 for the 11 months ending November 30, 1920, was $23,135,864.34, while for the same 11 months of 1919 it was $15,675,088.36, or an increase of $7,460,715.98, which is an increase if approximately 50% in operating income. I will call attention to the fact that the amount of depreciation, Item No. 12, had been decreased to the extent of $289,463.78, even though there had been an increase in investment in fixed capital of $10,644,267.79. In other words, you would naturally expect to find the depreciation account higher on account of the increased investment in fixed capital, but as a matter of fact we find it lower; and after I have made allowance for this increase in fixed capital investment I find that there has been a reduction in the annual rate of depreciation within those two periods of 13.7%. That will help substantiate the statement I made in connection with my conversation with Mr. Whittemore, in New York. I also would like to call attention to Item No. 6 "Messages-Toll." This amount represents the A. T. & T. Company's share of the long distance toll revenues. There is an increase from $21,960,626.51 to $26,857,546.88, being an increase of $4,896,920.37, or over 20%. This may be accounted for by the fact that during the year 1920 the Burleson rates—the increased toll
1034 rates—were generally in effect, while it was not so in 1919 throughout the country, many of the jurisdictions having delayed the putting into effect of these rates through appeals to the courts. It would also indicate to my mind that, and I base this on the facts here, as well as on other facts which I——

Mr. Barrow: For the year, or just for that portion of the year?

Mr. Wolff: For the 11 months ending November 30. I have since received the figures for the year, but they do not change materially the situation. I have not had time to put them in exhibit form, however, I now offer my Exhibit 31, which shows the earnings per share of capital stock available for dividends in each year since 1901 to 1919, inclusive.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 31.")

Mr. Kittredge: This refers to what company?

Mr. Wolff: To the A. T. & T. Company. The minimum earning shown is that for the year 1904 when it was 8.63%, and the maximum was 1907, when it was 11.89%. Last year, 1919, shows 10.05%. I don't know what the 1920 figures are, as I have not had the report, but in that connection I will call attention to the increase of almost 50% in the telephone operations of the company, and, everything else being equal, it would seem to me that the earnings for 1920 would be higher than 10.05%.

Mr. Kittredge: Do you know what the capital stock of the company December 31, 1918, was $441,947,338.00.

Mr. Kittredge: Do you know the company's capital stock at any period prior to that time?

Mr. Wolff: No, sir.

Mr. Kittredge: Referring to Exhibit 30 do you know any reason why the earnings of the A. T. & T. Company in 1920 shows such an increase?

Mr. Wolff: It was probably due to the increase under the
1035 so called Burleson rates, which were generally in effect throughout the year 1920, while they were not so in effect in 1919.

Mr. Kittredge: The Burleson rates were about 25% higher, as testified to here, were they not?

Mr. Wolff: I really don't know just what they were, but it was testified to here, I believe, that they represented an increase of about 25%.

Mr. Kittredge: Have the toll revenues of the underlying companies increased correspondingly?

Mr. Wolff: No, not necessarily. As a matter of fact, I believe the earnings of the A. T. & T. have increased largely on account of the Burleson rates, but that is not true of the underlying companies.

Mr. Kittredge: How do you explain that? Why did they not both increase?

Mr. Wolff: At the time these rates were increased the maximum for commission on toll business which the A. T. & T. Company paid the underlying companies was not increased, nor was the percentage of commission increased, although the percentage being on the added amount would cover any compensation on the additional revenue, but on account of this maximum being there, the maximum payment being the same, the more valuable messages represented no increase to the underlying companies, but went to the A. T. & T. Company.

Mr. Kittredge: What is the basis of the commission allowed the underlying companies?

Mr. Wolff: Prior to January 1, 1918, the A. T. & T. Company paid the underlying companies a commission of 15% on all originating long distance business, subject to a maximum of 10 cents where the A. T. & T. Company did the operating, and a limit of 20 cents where the underlying company did the operating.

Mr. Kittredge: What has the allowance been since January 1, 1918?

Mr. Wolff: Since that time and up to the present time the underlying company in whose territory the long distance call
1036 originates, in this case the Cumberland Company, receives a commission of 25 cents of the charge to subscribers, subject to a limit of 12 cents per message where the A. T. & T. Company does the operating and a limit of 30 cents per message where the A. T. & T. Company does the operating——

Mr. Kittredge: Where the A. T. & T. Company, you say?

Mr. Wolff: The Cumberland Company, of course, I meant to say,— a limit of 30 cents where the Cumberland Company does the

operating with double commission for calls originating at public pay stations and also a double maximum for such calls.

Mr. Kittredge: Do you mean to say that the commission was raised from 15 to 25 per cent, which is 66⅔% increase, and the maximum respectively from 10 to 12 cents, which is only 20%; and an increase from 20 cents to 30 cents, which is 50%?

Mr. Wolff: Yes, sir.

Mr. Kittredge: Do you know why all of the limits were not raised 66⅔%?

Mr. Wolff: No, I do not.

Mr. Kittredge: Have you prepared an exhibit showing the commission on the originating long distance calls, on certain messages?

Mr. Wolff: Yes, that is my Exhibit 32, which I now offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 32.")

Mr. Kittredge: This is on originating calls, is it not?

Mr. Wolff: Yes, on originating calls.

Mr. Kittredge: What does the Cumberland Company receive on calls coming in and terminating in its territory?

Mr. Wolff: Nothing, since the commissions for originating calls are supposed to balance those for terminating calls. In other words, as Mr. Hoxsey stated this morning, the commission was double.

Mr. Kittredge: Assuming that the calls originating and terminating in New Orleans are equal, the commission, then, is really one half, or in other words, the maximum instead of 12 and 30 cents, is really 6 and 15 cents per message, is it not?

1037 Mr. Wolff: Yes, sir, both the maximum and the percentage of commission are really only 12.5% commission and limits of 6 and 15 cents on all messages, both incoming and outgoing.

Mr. Kittredge: Do the originating and terminating calls balance each other in numbers as a matter of fact?

Mr. Wolff: Well, in the New York case there were some exhibits submitted showing the long distance or toll business calls, and the exhibits show clearly that the outgoing calls in a relatively large city were less in number than the incoming calls, and, inversely, in a small city, the outgoing calls exceed the incoming calls, and some explanation was made there that it was probably due to the fact that the larger places are ecenomic centers for the smaller communities and therefore the small towns have more occasion to place calls than do the larger centers.

Mr. Kittredge: In other words, more people living in the country do business in New Orleans, or other large cities, than New Orleans, or other large cities, do business with people in the country.

Mr. Wolff: Yes, sir, so that chart would seem to have indicated.

Mr. Kittredge: Have you endeavored to ascertain thise fact with respect to the company in Louisiana?

Mr. Wolff: Yes, sir, I have endeavored to obtain such figures for New Orleans, but I was unable to do so. I have, however, obtained some figures for Shreveport, which is the next largest city in the

city. The company made a study there for pro rate purpose—the latest study being that for October, 1916; and for that month the number of toll messages originating at Shreveport was 143, while the number of incoming messages was more than double that—289 for that month.

Mr. Kittredge: Referring to Exhibit 32, will you explain how it practically works, and thus show, whenever you get a message beyond a certain price that the Cumberland Company would only get but 10 and 20 cents before 1918, and 12 and 30 cents
1038 after that, no matter how long the message- were and no matter how much of its wires and operators were used, and other employees, etc.?

Mr. Wolff: My exhibit 32 shows the commission which the underlying company would receive from the A. T. & T. Company on messages of certain values. Of course, the messages showing small charges for toll service like 10, 15, 20 or 25 cents are relatively few, as are also those of $25.00, $50.00 and $100.00, as I have listed here; but, taking a figure which is near the average for revenue per message—long distance message, going out of New Orleans, we will take $4.00; and there the Cumberland Company would receive 30 cents for that message. The Cumberland Company would also receive 30 cents on a message costing $1.25; and if a $50.00 message were sent out the Cumberland Company would receive only 30 cents.

Mr. Kittredge: Therefore, from 10 cents up to $1.25 the amount that the Cumberland Company would receive would increase, would it not?

Mr. Wolff: It would increase—it would receive 25% up to $1.20; but beyond that it is limited to 30 cents.

Mr. Kittredge: Is it not a fact that most of the long distances messages going out beyond the state line would cost more than $1.25?

Mr. Wolff: Yes, sir, the average for New Orleans on this long distance business, speaking now of the A. T. & T. only, was something over $4.00, for a study of a particular month, which I will have occasion to refer to in a few minutes.

Mr. Kittredge: How much per message, as a result of this study, did the Cumberland Company get?

Mr. Wolff: I have a statement here which will show that my Exhibit 33, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 33.")

Mr. Wolff: This statement shows three studies, one made for the month of January, 1918, one revision on July 7, 1918, and one later revision, being a study for the month of March, 1920.
1039 It shows the Commission to the Cumberland Company on business originating at New Orleans. It will be noted that in Jajuary, 1918, there was billed to subscribers $4,233.70 for 1496 messages, or an average charge per message of $2.83. The Commission allowed the Cumberland Company there as a result of this

study—a study for that city as well as for the number of other cities in the system as a whole was $13.12—in other words 1.3 cents, approximately. That was the average that the Cumberland Company was allowed per message on messages which averaged $2.83 to the subscriber. The commission paid to the Cumberland Company was, therefore, 4.6% of the amount billed to the subscriber by the company. The A. T. & T. Company had its own operators up to July 7, 1918 in New Orleans; and for that reason the company was limited to 12 cents per message. When the Cumberland Company undertook the operations at New Orleans, this was increased, of course, subject to the maximum of 30 cents. A study was made, the month for which I do not know, showing the number of messages under $1.20, on which 25% is figured—25% of $589.40 and the number of messages over $1.20, to the number of which messages was applied the 30 cents per message. The average total charge per message at that time was $2.47, while the Commission paid to the Cumberland Company on the amount billed to subscribers at New Orleans was on this basis 8.7%. The later revision, based on the month of March*h*, 1920, and made effective July 1, 1920, shows that there was billed to subscribers approximately $11,600.00 per month, or an average total charge per message of $4.22. Of this the Cumberland Company received 23.67 cents, which is 5.6% of the amount billed to subscribers in the month of March, 1920.

Mr. Kittredge: That was after the Burleson rates had gone into effect?

Mr. Wolff: Yes, sir, the Burleson rates had not been in effect when studies 1 and 2 were made, but were in effect when study 3 was made. In other words, there had been an increase per message from $2.47 to $4.23 probably on account of the long distance
1040 business and increased Burleson rates, but the commission to the Cumberland Company actually decreased in percentage from 8.7% to 5.6%.

Mr. Kittredge: Though the total receipts of the A. T. & T. Company in the last study were about three times what they were in the second study, or, in other words, from $3,000 up to about $10,000.00? Isn't that so?

Mr. Wolff: Well, that, of course, would not be a fair conclusion. If you reduce it to a percentage basis—that would take into account all elements—it is 8.7% in the second study as against 5.6% in the third study, when the higher Burleson rates were in effect. The total receipts had increased from approximately $4,000 per month in July, 1918 to 11,600.00 per month in 1920.

Mr. Kittredge: Expressing it differently, 5.6% is paid to the joint earner of $10,000.00 while the same joint earner, in earning $3,000 gets 8.7%. Now, how much was the originating A. T. & T. Company business in January, 1918, in money?

Mr. Wolff: $4,233.70 for 1,496 messages.

Mr. Kittredge: The average per message was what?

Mr. Wolff: $2.83.

Mr. Kittredge: How much out of the amount that you have just stated did the Cumberland Company receive, in dollars and cents?

Mr. Wolff: The Cumberland Company received $193.65 out of $4,233.70 as commission.

Mr. Kittredge: What was the amount billed to subscribers during the month of the second part of your exhibit?

Mr. Wolff: $3,981.00 for 1610 messages.

Mr. Kittredge: What part of that did the Cumberland receive, if you know?

Mr. Wolff: The Cumberland got $345.34. That is, I worked it out on the basis of the rates per message, multiplying the number of messages by the average rate which the Cumberland Company got per message.

Mr. Kittredge: Now, referring to the third section, what was the total amount received for toll messages.

1041 Mr. Wolff: $11,683.15 for 2,764 messages.

Mr. Kittredge: Making an average of what?

Mr. Wolff: $4.23.

Mr. Kittredge: As against $2.47 in the previous study?

Mr. Wolff. Correct, yes, sir.

Mr. Kittredge: Now, out of the $11,683.15 how much did the Cumberland Company get?

Mr. *Kittredge*: On this basis, $654.20.

Mr. Kittredge: How much did the Cumberland Company receive as commission if it got 25%?

Mr. Wolff: On the subscribers' station toll business, if it got 25%, and 50% on the pay station business, without being subject to this maximum charge of 30 cents and 60, I believe for that month of March, 1920, it would receive $3,366.89.

Mr. Kittredge: And it did actually receive what?

Mr. Wolff: $654.24 per month.

Mr. Kittredge: So, when the increased Burleson rates came along the A. T. & T. Company gobbled all of it, didn't they?

Mr. Wolff: Not quite all. They gobbled it all after $1.20 per message and 45 cents per message, according to the points of destination—according to whether or not the A. T. & T. Company did the operating,—speaking now of commissions. There is, however, the matter of pro rate that enters into it also. There is where long distance messages involve the use of the A. T. & T. wires as well as those of the Cumberland Company; and on such business the Cumberland Company receives a pro rate of 2 mills per mile per minute; but we were speaking of commissions.

Mr. Kittredge: That is what Mr. Hoxsey was referring to this morning, was it not?

Mr. Wolff: Yes, he limited it to commissions.

Mr. Kittredge: How much long distance toll business does the A. T. & T. Company do in Louisiana?

Mr. Wolff: When I prepared my data on this I had re-

1042 ceived some figures from the company at New Orleans. Although I had requested the information at Atlanta, my request was misunderstood, and I was given something for which I did

not ask. Since I prepared my data in this case I did receive in response to my request, from Atlanta, a correct statement of what I had originally asked for, just before, or, I might say, as I was on my way to the station. I received it at the hotel as I threw my key in and checked out; and so I have not had an opportunity to go over those figures. I have, however, had them set up in exhibit form, which I will put in later on; but the figures which I got at New Orleans are as follows: for 1917, $40,172.50, for 1918 $56,970.50; for 1919, $113,373.60; and for 1920, $118,937.00; and for the year ending July 31, 1920, $122,254.40.

Mr. Chipley: That is interstate business, is it not?

Mr. Wolff: It is American Telephone and Telegraph Company's long distance business.

Mr. Kittredge: Originating in New Orleans?

Mr. Wolff: Originating in New Orleans, yes, sir, being the amount billed to subscribers.

Mr. Kittredge: Do you know if there has been any difference in the rate per message since the studies were made in March, 1920?

Mr. Wolff: I don't know definitely that there has been, except to this extent; that on August 1, 1920, the Cumberland Company took over some property which previously had been owned by the A. T. & T. Company; so that in addition to the Commission that the Cumberland Company heretofore had received it, since August 1, 1920, receives in the form of a pro rate some additional compensation. However, that should not affect, for comparative purposes. this matter of commission. If, as a result of that pro rate the rate per message had been increased, you could not compare the amount per message that the Cumberland Company had received before, as commission, with the amount that it now receives, both in commission and pro rate, the pro rate being intended as compensation for the use of the Cumberland Company's property.

1043 Mr. Kittredge: Does that materially increase what the Cumberland Company receives on such toll messages?

Mr. Wolff: That I do not know. That was the last thing I took up in Atlanta, just before going for the train; and I asked Mr. Yundt to prepare some data for me on that point. I do not remember his having put it in yesterday or this morning, nor, as a matter of fact, of having asked for it here.

Mr. Kittredge: Have you prepared a statement showing price tendencies?

Mr. Wolff: Yes, in my Exhibit 34, which I now offer?

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 34.")

Mr. Wolff: This statement shows the index numbers of the Bradstreet Agency, one of the most popular index numbers, and is based on the price per pound of 96 articles. These are not telephone articles, but articles of various descriptions, including telephone articles with others, of course. It is really on basis materials, including, of course, basic materials for telephone articles. The prices are shown to have been on January 1, 1913, $9.4935,—these figures

are, of course, year to year,—and on January 1, 1920, it was $20.3638.

Mr. Kittredge: That really means practically $20.00?

Mr. Wolff: Yes, sir, $20.00. The prices per pound of these 96 articles were all added together and this sum is the aggregate price per pound of one pound of all of the articles. The figure on February 21, 1921, is $12.3689. The per cent. of drop since August 1, 1920, was 36.1%; and since January 1, 1920, 38.7%. The original exhibits, I might say, were prepared as of about August 1. The period ended July 31, 1920.

Mr. Barrow: Is the list of articles shown in the exhibit?

Mr. Wolff: No, but it can be verified in Bradstreet's Review, published every week.

Mr. Kittredge: You took this from the weekly Bradstreet's Review?

Mr. Wolff: Yes, sir.

1044 Mr. Kittredge: Do you remember generally what class, or what some of the articles were?

Chairman Taylor: I hardly think that is necessary,—I mean to detail all of them. I suppose the exhibit is for the purpose of showing a decline in prices of all kinds?

Mr. Chipley: Not telephone materials.

Mr. Wolff: It includes basic materials used in the telephone industry.

Mr. Chipley: Wholesale?

Mr. Wolff: Yes, sir, wholesale.

Mr. Chipley: Fabricated articles or raw?

Mr. Wolff: I don't know.

Mr. Kittredge: Then, noting that the drop since August 1, 1920, has been 36.17% it would mean that 64 cents today could purchase what it would have taken one dollar to purchase on August 1, 1920, is that what you mean?

Mr. Wolff: That is correct.

Mr. Kittredge: Were prices very high about August 1, last?

Mr. Wolff: They were pretty nearly the peak. August 1, 1920 is $18.8273, and the figure in February, 1920, was $20.8690.

Mr. Kittredge: Then, one receiving $64.00 a month now, in wage or salary, could purchase as much now as he could have purchased on August 1, 1920, at a wage or salary of $100.00? Is that true?

Mr. Wolff: That is it.

Mr. Kittredge: Did you say that this index was supposed to cover standard articles of every day human use and consumption?

Mr. Wolff: Yes, it is supposed to cover food, clothing, metal, liquids, beverages and everything.

Chairman Taylor: The fellow that got that up hasn't been following the market very closely so far as beverages is concerned.

Mr. Wolff: I don't know just what kind it does cover, Mr. Chairman.

1045 Mr. Kittredge: Have you prepared a statement which illustrates the movement of wholesale prices, according to Bradstreet's index number?

Mr. Wolff: Yes, that is my Exhibit 35, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 35.")

Mr. Wolff: This exhibit illustrates in graphic form the figures given in the previous exhibit. The line is shown to start at 9.55, at the beginning of 1913 and at twelve-point-something at the beginning of 1921,—the beginning of February. The red line indicates the drop in prices since August 1, 1920.

Mr. Kittredge: You brought it up to what date?

Mr. Wolff: February 1, 1921.

Mr. Kittredge: And it began at 9.5 in January, 1913?

Mr. Wolff: Yes, sir, and ended at 12.3689 on February 1, 1921. On February 1, 1920, it was $20.8690.

Mr. Kittredge: To be exact it increased over 100%—is that it?

Mr. Wolff: Yes, sir, from January 1, 1913; and up to the present time it has gone from almost 21 down to $12.3698.

Mr. Kittredge: Just about three points from where it started in January, 1913.

Mr. Wolff: Yes, sir.

Mr. Kittredge: Is copper an important commodity in the telephone business?

Mr. Wolff: Yes, the base metal is an important commodity entering into the construction of telephone material.

Mr. Kittredge: Have you prepared an exhibit showing the trend of copper prices.

Mr. Wolff: Yes, my Exhibit 36.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 36.")

Mr. Kittredge: Will you please explain that exhibit?

Mr. Wolff: This exhibit shows the average price of lake
1046 copper per pound at New York from January, 1911 to February, 1921. The price stated for February is the February, 1921, price. The exhibit was prepared from statistics in "Iorn Age."

Mr. Kittredge: What is the "Iron Age"?

Mr. Wolff: It is a publication,—one of the most widely known in the United States,—relating to the iron and steel industry. The percentage of drop in copper prices since August 1, 1920, is shown to have been 30.3%, in the foot note.

Mr. Kittredge: What was it per pound on August 1, 1920?

Mr. Wolff: I have not the figure for August 1, but I have the average for the month. This statement is made up on averages.

Mr. Kittredge: Well, the average, then?

Mr. Wolff: The average is 19 cents.

Mr. Kittredge: What was the price on February 1?

Mr. Wolff: 13.25 cents. I believe since then, from newspaper accounts, it has gone still lower.

Mr. Kittredge: Have you an aditional illustration for that exhibit?

Mr. Wolff: Yes, I have an illustration in graphic form for this exhibit, my Exhibit 37, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 37.")

Mr. Wolff: This graph illustrates the prices indicated on the preceding exhibit, showing the average price per pound of lake copper for each of the years shown, from 1911 to 1921, February 1921. The red line indicates the drop in prices since August 1. The lines on this exhibit correspond to the figures on the preceding exhibit, and show how copper had gone up and then afterwards come down. Now, on February 1, it was less than the average price for the year 1914. The average price for each year is indicated by the horizontal lines. The average price for this item has been dropping steadily from 1918, as indicated by the dotted lines.

Mr. Kittredge: It is now at about a shade over 13 cents, is it not?

Mr. Wolff: Something like that. I don't know what it
1047 is today, but on February 1 it was 13.25 cents, and from all newspaper accounts it has gone somewhat lower since then. It may have come back, however. I do not know.

Mr. Kittredge: What did you find it to be then on August 1, 1919?

Mr. Wolff: August 1, 1919, it was 23.16 cents.

Mr. Kittredge: In other words, it had gone down early in 1919, in April and May, hadn't it, to under 16 cents, or, rather, in May and June, 1919, hadn't it?

Mr. Wolff: Yes sir.

Mr. Kittredge: And then it went back up steadily until it reached 23 cents in August, 1919?

Mr. Wolff: That is correct.

Mr. Kittredge: And on the last day of July, 1920, it had gone down again to about 19 cents?

Mr. Wolff: That is correct.

Mr. Kittredge: Have you prepared an exhibit showing the drop in prices of certain material used in telephone plant?

Mr. Wolff: Yes, that is my Exhibit 38, which I file.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 38.")

Mr. Kittredge: Will you please illustrate and explain that exhibit, Mr. Wolff?

Mr. Wolff: This shows prices as at September, 1920, of certain telephone materials, and prices as of January 5, 1921, for some materials. This is a copy of an exhibit placed in evidence in the New York Telephone case. I have added to the last three columns, which shows the amount and per cent. of decrease from September 1, 1920, to January 5, 1921. The percentage of decrease ranges from he insignificant figure of 12% for cable terminal, iron bar, 14-C, 5-foot type; up to 43.6% on bolt, rock guy. There is an item

on here shown to have undergone a decrease of 74.4%, but that is wrong. That should be 7.4%.

Mr. Kittredge: Name some of the other reductions?

Mr. Wolff: Well, exchange cable, lead covered, 50 pair, 19
1048 guage, decrease 16.4%. Anchor, guy, "Everstick," No. 8, shows a decrease of 20.9%. Cable exchange, lead covered, 50 pair, 22 guage decrease 20.5. Cable, exchange, lead covered, 100 pair, 22 guage, decrease 21.2%. Same cable, 200 pair, decrease 19%. Cross arms, 10 pins, decrease 23%. Gravel, decrease 36.3%. Building sand, decrease 21.9%. Solder, bar, all kinds, 36.5%. Crushed stone, 17.6%. The exhibit really speaks for itself, and shows the rate of decrease as to each class of material.

Mr. Kittredge: What date is that predicated on?

Mr. Wolff: As of September 1, 1920.

Mr. Kittredge: September 1, 1920, or the average for the month?

Mr. Wolff: This is as of September 1.

Mr. Kittredge: Well, that decrease is for four months, is it not?

Mr. Wolff: Just a moment; I am wrong about that. These are the average prices in September. That "September 1" should be stricken out. The "1" in the last column should come out.

Mr. Kittredge: Then this decrease is for three months, is it not?

Mr. Wolff: A little over,—well, yes, it is the average for September, and it is for three months.

Mr. Kittredge: Have you made a comparison of the rates proposed for New Orleans and Shreveport with those now in effect in other cities of other states?

Mr. Wolff: Yes, that is shown in my Exhibit 39, which I offer.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 39.")

Mr. Wolff: This exhibit shows a comparison of the rates as roposed for New Orleans and Shreveport, with other places. I wish to call attention to certain of these rates. The rates proposed for New Orleans, for one party, business line, is $120.00, and for one party residence lines $60.00 per year. For Cleveland, Ohio, whose population is approximately twice as great as the population of New Orleans, the business rate is less than in New Orleans, being $96.00 for one party business line; and a residence rate the same as New
Orleans, or $60.00. Indianapolis, Indiana, where the popu-
1049 lation is a little less than in New Orleans, has a rate of $84.00 as against $120.00, for one party business lines, and the one party residence rate in Indianapolis is $39.00, as against $60.00 in New Orleans.

Chairman Taylor: How many telephone stations are there in Indianapolis?

Mr. Wolff: I don't know the number of stations. I have not the figures on that. Kansas City has a rate of $96.00 for one party business line, and $42.00 for one party residence line.

Chairman Taylor: How does the population of New Orleans and Kansas City compare?

Mr. Wolff: Very similar. I think it is perhaps 50,000 or 60,000 less than New Orleans. Buffalo, N. Y., has measured rate service for business; with a rate of $60.00 for one one party residence. Buffalo has a much larger population and has many more stations than New Orleans. St. Louis, Missouri, has a higher rate for business telephones than New Orleans, the rate there being $132.00 for one party business line, but a lower rate for one party residence, it being $54.00 there as against $60.00 in New Orleans. The population of St. Louis is nearly twice as great as that of New Orleans. In fact, it is just twice as great. These rates are taken from "Telephony," a magazine published by the independent telephone companies, at Chicago, Illinois, and were prepared by one of my assistants, Mr. Clyde R. Schick, at New York, under my instructions. I told Mr. Schick to run through "Telephony" for the year 1920, up to date; and to take the rates in all cities that he could find with populations exceeding 100,000. The reference in the last column shows what issue of "Telephony" the rates were taken from.

Mr. Kittredge: What does Toledo, Ohio, show, with a population somewhat near the same as New Orleans?

Mr. Wolff: Well, there are two rates for Toledo,—$84.00 for one party business; and $45.00 for one party residence, for the Central Union Telephone Company. The Ohio State also operates there, and their rates are $81.00 for one party business line, and $45.00 for one party residence line.

1050 Mr. Kittredge: Have you made a comparison of the rates proposed for Louisiana cities with populations of from 5,000 to 25,000 with the rates in similar cities outside of the state of Louisiana?

Mr. Wolff: Yes, my exhibit 40, which I now offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 40.")

Mr. Wolff: This exhibit shows the rates as proposed for Louisiana as compared with the rates in other places, including the state of Mississippi, which is serviced by this same company. The Mississippi rates are the present rates there, and not the proposed Mississippi rates. The sources of the information are indicated as being from the company's exhibits in the Mississippi case and from various issues of "Telephony." The rates proposed for Louisiana are higher, on the whole, than for the other points on this list. This list is arranged according to population, running from towns of 5,000 to towns of 25,000; and while there may be some exceptions, they will not be but very few, relatively, where rates in other cities are higher than those proposed for towns of similar population in Louisiana. For instance, this one strikes me. Fredonia, New York, the rate there is $5.50 as against $4.05 for Louisiana, for one party business. Mishiwaka, Indiana, shows $6.00 for one party business line, as against $5.60 in Louisiana for comparable points. Outside of these two exceptions I do not see any others on this list where the rates in effect are higher than those proposed for Louisiana, on the one party business line service. On residence telephones Fredonia is

higher for one party, being $3.25. That appears to be the only instance in which the one party residence rate is higher than the rates proposed for Louisiana for towns of similar population.

Mr. Kittredge: Have you prepared a statement comparing the rates proposed for Louisiana with those proposed for Mississippi, as well as the existing schedules in force in cities of Kentucky and Tennessee, in which two states, as I understand it, no application for increased rates have been filed.

1051 Mr. Wolff: Yes, that is shown by my Exhibit 41, which I file.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 41.")

Mr. Wolff: This exhibit shows a comparison of the rates proposed in Louisiana and in Mississippi with those now in effect in Tennessee and Kentucky. This exhibit, all but the first section "proposed rates for Louisiana," was taken from an exhibit filed by Mr. M. C. Moore, rate expert for the Mississippi Railroad Commission, being his exhibit 2 in the Mississippi case. He got this information, so he informed me, by correspondence with the mayors of these various cities. I believe that the general line of rates as proposed for Louisiana and Mississippi will be found to be higher that those now in existence in Kentucky and Tennessee. In fact, they are much higher. Ashland, Kentucky, with a population of 14,729 has a rate of $3.00 for one party business line; and a rate of $1.50 for one party residence line. Lake Charles, Louisiana——

Mr. Chipley: Mr. Wolff, I don't think we operate in Ashland, Kentucky.

Mr. Wolff: I don't know whether you do or not. Well, we will eliminate Ashland and taken Paducah, Kentucky,—do you operate there?

Mr. Chipley: We do, and the citizens of Paducah pay a great deal more than they pay in any one place where we operate alone.

Mr. Wolff: They have a population of 24,735,—it is the largest city on this list in Kentucky.

Mr. Chipley: Is that our rate or the other company's rate you are reading?

Mr. Wolff: All I can say is that these are Mr. Moore's figures.

Mr. Chipley: What is the rate?

Mr. Wolff: $4.25.

Mr. Kittredge: Did you say that this was introduced in the Mississippi case by Mr. Moore?

Mr. Wolff: Yes, sir.

Mr. Chipley: It is just a partial list. What is the other company's rate?

1052 Mr. Wolff: Well, let us take Jackson, Tennessee, with a population of 18,000. You have a one party business rate there of $4.50, while Alexandria, Louisiana, with a population of 17,500 has a proposed rate of 5.60, or $1.10 more. The difference is 50 cents per month in the one party residence rate in the same cities. At Clarksville, Tennessee, with a population of 8,000, the

rates are $4.00 and $2.50, respectively, while in Bogalusa, Louisiana, the proposed rates are $4.35 and $2.50——

Mr. Chipley: We do not operate in Clarksville at all.

Mr. Wolff: Then that would indicate that other people do business cheaper than you do. However, the exhibit speaks for itself.

Mr. Kittredge: Will you state the company's net revenue in Louisiana for the year ending July 31, 1920?

Mr. Wolff: $663,861.00.

Mr. Kittredge: How much does the Cumberland Company propose to increase its rates? In other words, how much in dollars and cents will be added to the bills of its subscribers in this state?

Mr. Wolff: $598,836.00.

Mr. Kittredge: In other words, the amount of the proposed increase is over 90% of the net revenue for that year?

Mr. Wolff: That is correct.

Mr. Kittredge: How much increased expense does the company provide for in Hoxsey's Exhibit 13?

Mr. Wolff: $339,721.00.

Mr. Kittredge: How much net increase does that leave?

Mr. Wolff: $259,115.00.

Mr. Kittredge: What increased percentage does that represent over the actual net for the year ended July 31, 1920?

Mr. Wolff: 39%.

Mr. Kittredge: You said that the payments by the subscribers would be increased by $598,886.00 under this proposed increase in rates. Do you take into consideration only the existing subscribers or have you taken into account the 9,000 new subscribers referred to by the company?

1053 Mr. Wolff: Yes, it is proposed to increase it by that amount.

Mr. Kittredge: Then the amount to be added to the subscribers' bills would be correspondingly greater according to the number of new subscribers added?

Mr. Wolff: Yes, naturally.

Mr. Kittredge: How many subscribers were there in the state of Louisiana on July 31, 1920?

Mr. Wolff: I don't know what the number was on July 31, 1920, on that specific date, but on November 1, 1920, according to one of the company's exhibits there was shown to be 67,939 subscribers in Louisiana.

Mr. Kittredge: What was the net gain in telephones installed per annum for that year,—1919-1920?

Mr. Wolff: 6,810 as shown by the company's exhibits, and not verified by me.

Mr. Kittredge: That would be an increase of about 10%?

Mr. Wolff: Yes, sir, approximately that.

Mr. Kittredge: Referring to Mr. Hoxsey's Exhibit 13 you have a detailed of the $339,721.00 of expense, estimated increase?

Mr. Wolff: Yes, the increased expense on account of the increased expense level claimed is $86,964.00. The proposed increase in annual wages after July 31, 1920 is $223,910.00; the increased federal income tax amount charged under the return is $28,796.00. These

items total $339,670.00, which is $51.00, different from the total shown on Mr. Hoxsey's exhibit. I don't know whether a stenographic error has crept in or not, but those are the figures shown.

Mr. Kittredge: Does the sum of $223,910.00 represent the total estimated increase in wages?

Mr. Wolff: No, only that portion charged to expense. The total increase for wages is estimated as $257,401.00, of which the amount of $33,491.00 is to be charged to construction.

1054 Mr. Kittredge: Have you a detail of the $223,910.00 to be charged to expense?

Mr. Wolff: Yes, Traffic Department, $110,064.00. Commercial, $40,092.00; plant and Division Engineering, $68,432.00; General Office, $4,566.00; and General Engineering, $756.00, or a total of $223,910.00.

Mr. Kittredge: Referring to the largest item, that of Traffic, $110,064.00, have you prepared a statement showing the rate of wages of telephone operators within the last three years, and ending December 31, 1919?

Mr. Wolff: Yes, that is my Exhibit 42, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 42.")

Mr. Wolff: This statement is taken from the reports to the Interstate Commerce Commission and shows the total number of employees in service at th eend of June, 1917, 1918, and 1919, as well as September, 1917, December, 1918, and December, 1919. The figures for June do not vary much from the later months. The total number of employees in December, 1918, was 2,822; at the same time in 1919 it was 4,212, so there was an increase of approximately 1,400 employees, or about 50%. Following the totals are given the number of employees in each class,—those receiving less than $5.00 those——

Chairman Taylor: Per week or per day?

Mr. Wolff: Per week; the first is from $5.00 to $6.99; the next is from $7.00 to $8.99, and go on up the line. Since the number of employees had increased by 50% you might expect to find within each class 50% more employees, but it is not so distributed. For instance, the number of employees, taking the female only, because the male really do not amount to very much,—I mean by that to say that these are operators, and, of course, the female preponderate; and are more important. Confining ourselves to the female we find

1055 that the number of employees from $5.00 to $6.99 had decreased between 1918 and 1919 from 443 to 280. Those in the class from $7.00 to $8.99 remained the same; and from that point on the increase within the classes are either 50% or more than 50%. The higher classes or rated employees, $9.00 to $11.99, increased from 613 to 1,445, or about 132%; the next class increased approximately 50%; the next class, from $18.00 to $23.99, increased about 150%; and there are only a small number in the next class, which shows an increase of about 400%. That would indicate that

the employees have been receiving increased wages through being graduated from one scale to another, according to the length of service.

Mr. Kittredge: Do you know, as a matter of fact, whether the wages of operators have been increased since June 30, 1920?

Mr. Wolff: I made inquiry at the New Orleans office and was informed that the last increase put into effect for that city was on August 22, 1920, when the basis salaries of traffic employees were increased from $12.00 to $19.00 from the previously existing rates of $10.00 and $18.00. These previously existing rates had been put into effect on February 1, 1920. The rates which I have mentioned include the differentials which Mr. Yundt testified to. The rates for supervisors ranged up to $20.00 and on September 1, 1919, were increased to $21.00, and afterwards to $22.00. Now, dividing the number of traffic employees in New Orleans on each date, September 1, 1919, February 1, 1920, September 1, 1920, and February 1, 1921, as shown by a statement furnished to me by the company there at my request, I find that the rate per employee on September 1, 1919, was $13.12 per week; on February 1, 1920, it was $14.26, an increase of 8.7%; on September 1, 1920, $15.18, an increase of 6.4%; and on February 1, 1921, $15.12, a decrease of .4%. The sliding from one rated class to another, of course, will affect the result. If a number of long-service employees were to cease their connection with the company and their places taken by new employees, —operators,—the new employees will naturally start at the lower wage scales; and if the turn over is active it will mean that the
1056 rate per employee will tend downward. If the turn over becomes stagnant and less active it will mean that the rate per employee will tend upward, as time goes on.

Mr. Kittredge: How many times during 1920 were the wages increased, according to the statement you just made?

Mr. Wolff: February 1, 1920. I only inquired whether wages had been advanced since June 30, 1920, and was informed that they had been increased on August 22, 1920; but I was also informed that the schedule existing previous to August 22, 1920, had been put into effect on February 1, 1920, so that the company,—and that was a higher schedule than the previously existing one,—so there had been two increases in 1920. Assuming that there had not been any between January 1 and February 1, 1920, of course.

Mr. Kittredge: The last one was on August 22, 1920?

Mr. Wolff: That is correct, yes, sir.

Mr. Kittredge: Have you made a comparison of the pay rolls for July with subsequent pay rolls?

Mr. Wolff: Yes, that is my Exhibit 43, which I offer.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 43.")

Mr. Wolff: This statement shows the total pay roll changes as reported by the company in the monthly pay roll report, numbered as, and shows the increase for each month from July, 1920, to De-

cember, 1920, inclusive. There are in here the additions during the month and the deductions, resignations, dismissals and otherwise the entire changes,—net changes during the month,—and the number advanced in wages during the month. In the lower part of the schedule, from Item "J" to "P," is shown the money represented in the additions and deductions, the net changes, etc. It will be noted that Column "O" shows the total amount at the end of the month of July, 1920, as $579,608.00. That same item for December, 1920, shows $606,088.00, an increase of approximately $27,000.00 per month. On a similar basis that would mean
1057 12 times $26,480.00, or approximately $300,000.00, for the year increase for the company as a whole. These increases, however, are not, I believe, the regular increases awarded all employees, but also include graduations from one scale to another, as service lengthens. Column "P" entitled "Total Salary and wage payments," $694,299.00, for July, 1920, is shown for December, 1920, to have reached $698,558.00 or an increase of $4,329.00. That column is actual payments applicable to the month, and would seem to indicate, to my mind, that although the rate of the employees had been increased the actual payments had not been increased in any thing like the same ratio. However, I have not sufficient information about this matter, as I did not have an opportunity to investigate it, though I inquired about it, and that is really why I wanted additional time to go further into these matters.

Mr. Kittredge: You can't assign any reason for that apparent incongruity, then?

Mr. Wolff: No, I cannot. In the one case it would be about $300,000.00 a year, and in the other case it would mean only about $50,000.00 a year for the company as a whole.

Mr. Kittredge: Have you prepared a similar statement for the traffic pay roll?

Mr. Wolff: I have, mt Exhibit 44, which I offer in evidence.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 44.")

Mr. Wolff: This statement is arranged along the same lines, but covers only traffic employees, for whom the wage increases as proposed and shown in the company's exhibits are the greatest. The total at the end of the month, Column "O," increased from July, 1920, from $275,757.00 per month to $285,571.00 or an increase of $10,000.00 per month, which would make $120,000.00 for the year for the company as a whole. Column "P," however, showing the actual payments in December shows $321,543.00,—no, it shows $321,543.00 for July, 1920, and a less figure in the month
1058 of December, of $313,495.00 a decrease of about $8,000.00, or approximately $100,000.00 a year for the company as a whole, for traffic employees. I should also like to call attention to Column "N," which shows the amount of net changes during the month. It will be noted in December, 1920, the company decreased its wages, I presume, or its basis for wages, by $7,833.00 per month

for traffic employees for the company as a whole. Here again, I think we are entitled to additional light. It may, of course, be that the turn over was rather active in this particular class of employees and that there were a great many employees leaving the company and others coming in, starting at the lower rates.

Mr. Kittredge: Does that include operators?

Mr. Wolff: It is operators,—operators exclusively, I believe. Yes, these are operators, supervisors, etc.

Chairman Taylor: Mr. Wolff, right there, let me ask you a question. What are these amount of net changes during the month? What does it mean? What do you have reference to,—the number of employees who quit the service of the company?

Mr. Wolff: Exactly, the number of employees who leave the service of the company and the number who have been added to the pay roll.

Mr. Kittredge: You have no way of explaining the difference between $834,000.00 in October, 1920, as against,—no, that is not dollars, I see,—it is people,—can you explain the vast difference between 834 in October, 1920 as against 7,883 in December, 1920?

Mr. Wolff: No, I do not know. Well, if you will look at line "G" December, 1920, you will find that the number of employees who resigned, were dismissed, etc. In other words, the number of deductions was greater than the number of additions. There were 207 employees less in December than in November, which shows that the company was going along with a less number of employees, and possibly economies in the pay rolls. It may be that employees are becoming more efficient now and that employment conditions are becoming different and that it requires a less number of
1059 people to handle the work than it required before. I do not know. Those are some of the things that should be looked into.

Mr. Kittredge: Have you obtained data as to the efficiency of the operating forces in New Orleans?

Mr. Wolff: Yes, I have had the company furnish me a statement which it regularly compiles. These statements are called, up north, I believe, "efficiency records," but it is really based on length of service. The employees are rated according to the duration of their services, carrying certain percentages. An employe who had been working for the company for the past five years would be rated higher than one working for the company for only three years, and so on down the line. I have not had an opportunity to analyze these statements any more than those two I have just referred to. These are among the last things I did, but I notice that the efficiency of employees, or, in other words, the experience of the local operators in New Orleans in June, 1920, was about the same as it was throughout 1919,—92.3%,—while in October of the same year it had dropped to 86.3%. That being the measure of the experience and experience being the measure of the wages, and the decrease having been from 92.3% to 86.3% it might indicate that, at least for New New Orleans, the employees were less expensive than they were

during this year in which the company predicates its application for increased rates on, the year ending July 31, 1920. Efficiency for the month of January, 1921, however, has come up again to 91.6. The company keeps other records which are more in the nature of true efficiency records, which are made up on the basis of observations from tests of operating conditions. I have here a summary of local service operations in New Orleans for each month of the year 1920, as well as the same information for each exchange. I have not had an opportunity to do very much with this data, but I have noticed that in February, 1920, when the experience was shown to have been 95.4% the percentage of calls affected by apparent irregularities was 10.8%. This is item 9 in the com-
1060 pany's statement entitled "Line signals,—per cent of line signals not answered within ten seconds." In June, when efficiency had dropped to 92.3% the percentage of errors had increased to 12.1%. In October, when efficiency had stopped still lower,—in other words, experience had dropped still lower, 86.3%, the irregularities dropped, instead of increasing, to 11.7%. It had been 12.1%, indicating that operators are becoming more efficient, apparently. I mention that as possibly having some bearing on it, —that the company may be able to get along with a less number of employees, but I have not been able to go into any of these exhibits sufficiently to enable me to discuss them to the extent that they should be discussed, as relating to this case.

Mr. Kittredge: Why is it you have no completed this investigation?

Mr. Wolff: Well, I guess all of the exhibits that have gone in before this really answer that question. We have worked day and night and have not been physically able to do any more than we have. In fact, I am surprised and gratified that we were able to accomplish as much as we did in the time at our disposal.

Mr. Kittredge: What have you to say with regard to wages increases proposed for June 30, 1920, as shown by the company's exhibits?

Mr. Wolff: The company proposed to increase different employees on an average of about 12.3% after June 30, 1920. Circular No. 712 of the Bureau of Labor Statistics shows 322 articles of food have dropped from the index number of 219 in June to 178 in December, or 18.7%. I believe the newspaper records have it that the January figures shown approximately 21%, but I have not been able to verify this. Wholesale prices have dropped in the corresponding period from 269 to 189, or 29.7%; and as wholesale prices are usually the fore-runner of what is to be expected in the retail market ultimately it would seem to indicate that retail prices have not yet reached bottom. These wholesale prices include all items which enter into the cost of living, not only food, but clothing, shoes, hose, etc. If a person received the same wages in December as in June, it would mean that the purchasing power of his dollar, hav-
1061 ing increased to the extent indicated by the government index figures, if those numbers are correct, that his real wages have been increased, even though the nominal wage in dollars and cents

has remained the same. The increase in the purchasing power of the dollar, or the real wage, is really therefore greater than what the company planned to give, and the company planned to give 12.3%, while the cost of living has dropped about twice that much. Some commissions,—in fact, I have in my file somewhere, an opinion of one commission which ruled against a proposed increase where the company attempted to increase wages, holding that no increase should be allowed for the purpose of increasing wages; and it may be that that Commission had in mind this proposition of the real wage,—the purchasing power of the dollar,—going up, while the nominal wage remained the same.

Mr. Kittredge: Have you prepared an exhibit showing the rate of return in Alabama, Mississippi, and the balance of the territory in which the Cumberland Company operates, for the year ending July 31, 1920.

Mr. Wolff: Yes, my exhibit 45, which I offer in evidence.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 45.")

Chairman Taylor: Well, gentlemen, it is getting late, and it is quite apparent that Mr. Wolff cannot finish tonight. It is now nearly half past six, and this is as good a place to stop as at any other time. We will adjourn until nine o'clock tomorrow morning.

(Whereupon, at 6:30 p. m., February 25, 1921, the hearing in the above numbered and entitled matter was adjourned to nine o'clock a. m., February 26, 1921.)

1062 *Proceedings.*

Baton Rouge, Louisiana, February 26, 1921.

Chairman Taylor: Well, proceed, gentlemen, and let's try to get through here today if possible. Mr. Wolff, you were on the stand.

Mr. Kittredge: Proceed, Mr. Wolff. You were about to comment on your Exhibit 45 when we adjourned last night.

Mr. Wolff: This exhibit shows a comparison of investment, revenues, expenses and rate of return in Alabama, Mississippi and Louisiana, and the Cumberland system exclusive of Mississippi and Louisiana. All of these elements are shown not only in dollars and cents, but also on a percentage per station basis. The figures are based on the year ending July 31, 1920. It will be noted that the investment per station in Mississippi was highest in the comparison of the five geographical areas, with an investment of $188.24 per station; next comes Louisiana with an investment per station of $180.16; next comes Cumberland Telephone & Telegraph Company territory as a whole, being $179.07, which, of course, includes Louisiana and Mississippi; but a better comparison is afforded by eliminating Mississippi and Louisiana, after which the average per station is $175.91; and Alabama comes last with $169.69. Alabama is not a part of the Cumberland system, but is a part of the Southern Bell system. In the revenue statistics the operating revenue was highest per sta-

tion in Louisiana, being $69.46; next comes Mississippi with $68.03; and next Alabama with $56.11; next the Cumberland territory outside of Louisiana and Mississippi, with $51.55. The expense figures show Mississippi to be highest, with $60.20; Louisiana next with $58.80; next Alabama, with $50.08; and then Cumberland territory outside of Mississippi and Louisiana with $46.16. The next revenue per station is highest in Louisiana, being $10.66; next Mississippi, being $7.83; next Alabama, $6.03; and Cumberland territory outside of Louisiana and Mississippi next, with $5.39. The present net revenue to total average investment for Louisiana is highest, being 5.92%; next Mississippi, 4.16%; next Alabama, 3.55%; next Cumberland territory outside of Mississippi and Louisiana, 3.07%. The present of net revenue which the company applied for in
1063 Alabama is estimated, after putting a schedule into effect and allowing for increased expenses after the proposed rates are in, would yield 6.2; for Mississippi 5.25; for Louisiana 8.23%; and in Cumberland territory outside of Mississippi and Louisiana no applications have been made for higher rates. The decisions of the Commissions are as follows: The order of the Alabama commission states that the rates allow-d by the order will figure 4.95% on the average investment. In Mississippi the case has not yet been decided; and, of course, there being no application pending outside of Mississippi and Louisiana in Cumberland territory there is nothing to state in that connection.

Mr. Barrow: Mr. Wolff, I do not quite understand when you say that there is no application outside of Mississippi and Louisiana. You mean Kentucky, Tennessee, and the small part of Illinois?

Mr. Wolff: Those three states, yes, sir—I though- I said Cumberland territory outside of Mississippi and Louisiana.

Mr. Barrow: But there have been and are other states in this southern territory where rate cases similar to this have been filed and acted upon?

Mr. Wolff: There have been some cases but I am putting down in this table those cases in which I have testified.

Mr. Barrow: Oh, I see.

Mr. Barrow: Then the statement is not intended to mean that Mississippi and Louisiana are the only two states in southern territory where such cases are pending?

Mr. Wolff: It means that Mississippi and Louisiana are the only two cases or states, rather, where cases are pending, in the territory serviced by the Cumberland company. May I be permitted to say a word, before I take up the next exhibits?

Mr. Kittredge: Certainly, go ahead.

Mr. Wolff: In my testimony yesterday I believe I stated, through error, that in the Mississippi case Mr. Hoxsey estimated that 5.25%, the rate of yield applied for, would yield a dividend for capital stock of 9% if the company earned that rate in the balance of its territory. My statement there was an error, as I recall now
1064 that I had in mind his testimony in the Alabama case, where he gave that answer to a question as to 6.2% applied to the entire company. In the Mississippi case, the 5.25%, if earned in the

balance of the territory, would yield 7.5%. I have three more exhibits to file, which I will offer at this time. They are my exhibits 46, 47 and 48.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 46.")

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 47.")

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Wolff's Exhibit 48.")

Mr. Wolff: Exhibit 46 is a comparison of revenue per station in the states of Mississippi and Louisiana, showing the excess of one over the other, both in amount and in unit per station.

The total revenue is shown to be $1,684,500.00 higher in Louisiana than in Mississippi. The revenue per station is $1.43 higher in Louisiana than in Mississippi, Louisiana being $69.46 and Mississippi $68.03. The detail of the total revenue shows that exchange revenue is much higher in Louisiana than in Mississippi, being $44.02 as against $31.55 in Mississippi, or a difference of $12.47. The toll revenue in Mississippi is $35.74 and in Louisiana it is $24.38, so that Mississippi is $11.36 higher than Louisiana. That is just the opposite of the situation on the exchange revenue. In the Mississippi case one of the company's witnesses called attention to the fact, when the question was asked as to how the company knows that the increase applied for should not be on toll rather than on exchange revenue, stated that among the other reasons, toll revenue was greater than exchange revenue there, which it is, being $1,387,521.00 as against an exchange revenue of $1,224,688.00. In Louisiana, however, the situation is different. Exchange revenue is in excess of toll revenue, being $2,741,386.00 as against $1,517,992.04.

1065 My exhibit No. 47 touches upon the 8% stocks shown by Mr. Hoxsey in his exhibit 18. Mr. Hoxsey's prices are as of September 25, 1920, at the close of the New York Stock Exchange, while the figures I have given represent the prices as of the closing of business there on February 11. I have quotations on all but four of the stocks shown in the Hoxsey Exhibit 18. For those four stocks I was unable to find either closing quotations on that date, there having been no transactions, nor could I find the bid and asked prices in the newspaper colum-s. Mr. Hoxsey divided his quotations by 25, the number of stocks he had listed, and got an average per $100.00 share of $100.37. I have added the twenty one stocks that I show, and divided by 21, and get an average price of $76.39, showing an average decline of $23.98 per share of stock. I should like to call attention to the fact that outside of two stocks, the American Bank Note Company, which had increased one point between those dates, and the Woolworth Stores, which had advanced two points between those dates, that all of the other industrial stocks shown have suffered declines, and some of them very marked declines.

Chairman Taylor: I see that the Pullman company stock has advanced?

Mr. Wolff: I am more inclined to think that Pullman would be more properly called a public utility stock, and I specifically mentioned industrial stocks. The public utility stocks, however, shown on this list on which I was able to get quotations on that date show increases. The American Telephone and Telegraph Company shows an increase of 1.75 points; the Detroit-Edison Company shows increase of 4 points; the Pullman company, if regarded as a public utility, shows an advance of 6 points. All of the other industrial stocks, with the exception of American Bank Note and Woolworth Stores, as I have indicated, declined an average of about 25%.

My next exhibit, No. 48 is a statement which I had made out from data gathered in New Orleans and Atlanta and assembled. It shows a division of revenue from the A. T. & T. long distance business originated at New Orleans in the years 1918, 1919 and 1920. I asked Mr. Holdritch, at Atlanta, directly, and also through Mr. Hoxsey, to prepare a statement showing what division of the A. T. & T. Company long distance revenue originating at New Orleans for those three years was effected; first asking it for Louisiana, and finding that that would be too much of a job. I may not have been specific enough in my request, so that what was furnished me was a statement showing all of the toll business of the company, including the A. T. & T. business; but there was one figure on Mr. Holdritch's study which showed the A. T. & T. portion in those years; so I had that, at least, to start with; and when I got to New Orleans I asked Mr. Stair to have prepared for me a statement showing what was charged to subscribers in those years for A. T. & T. long distance business originating at that point; and, that statement having been prepared, I took the figures of the originating business and compared them with the amounts paid to the A. T. & T. Company and deducted one from the other, which gave me the amount accruing to the Cumberland Company. On this basis it is shown that in 1918 the per cent of the Cumberland's portion to gross toll revenue billed to subscribers was 6.7% in 1919 it was 5.9%; and in 1920 it had increased to 12.3%. Remembering what I was told at New Orleans about the property of the A. T. & T. Company there having been taken over by the Cumberland Company on August 1, 1920 and that since that date some pro rate has been allowed, I assumed that the increased percentage for 1920 was probably due to the pro rate for the property in New Orleans taken over from the A. T. & T. Company on August 1, by the Cumberland Company. Since preparing this statement, and as I was leaving New Orleans, I found in my box as I was leaving the hotel, a statement sent to me apparently by the company, which gives these figures exactly; and I find that this statement shows the division between the Cumberland and the A. T. & T. Company on the basis of commission, showing separately the amount of pro rate paid since August 1, 1920. The total amount originated at New Orleans in 1918, 1919 and 1920 is the same as shown on my statement, with the exception of a difference of $5.00 in 1920. The Cumberland figure, or, rather, the Cumberland's portion for commission in 1918 was $3,830.93, which is the

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same figure that I have; in 1919 it was $6,775.55, also the same as mine; and in 1920, $7,270.93, instead of $14,679.00, as I have
1067 it, but this difference of approximately $7,400.00 is accounted for by another item which represents the toll pro rate charged by the A. T. & T. on joint tolls included above, and is explained by a foot-note. I also took up with Mr. Holdritch the matter of the building at New Orleans, which is general headquarters for the Fourth Division of the Cumberland Company, having called his attention to the fact that the entire investment in that building was charged against New Orleans in Mr. Hoxsey's Exhibit 9; and in reply to my inquiry he wrote me a letter, addressed to me at New Orleans, at my request, under date of February 16, 1921, as follows: "Referring to our conversation of the fourteenth instant; there was included in the New Orleans investment the total of the building known as the main building, situated on Poydras street, New Orleans. The total average investment in this building, included in the investment for New Orleans for the year ending July 31, 1920, was $430,996.00. Of the total of the usable space in this building, 448,303 square feet, 17,819 square feet is being used for various divisional office quarters, which division comprises the states of Louisiana and Mississippi. This is 36.9% of the building. In the statements for the year ending July 31, 1920, the average investment in these states was as follows: Louisiana, $11,219,033.00; Mississippi $7,307,580.00, a total of $18,526,613.00; and New Orleans $5,827,356.00. From the total for Louisiana and Mississippi and the total for New Orleans should be deducted the proportion of the cost of the building used for divisional purposes, 36.9%, or $159,037.00. This will reduce the New Orleans investment to $5,668,319.00; and the Louisiana and Mississippi investment to $18,367,576.00; and the calculation will show that New Orleans' proportion of the Louisiana and Mississippi investment is 30.86. New Orleans should be charged now with 30.86 of the divisional investment of $159,037.00, or $49,079.00. This will leave an amount of $109,958.00 to be distributed to the remaining exchanges in Louisiana and Mississippi. Should the New Orleans investment be changed by reducing it by $109,958.00 the revised figure would be $5,717,298.00. This would have the effect of increasing the percentage of return for the year in question from New Orleans from 5.20% to 5.30%, or a difference of one-tenth of one per cent. As I advised you, we have considered this question before, but the effect of such detailed figuring, as you will readily now understand, is so small as to be negligible. Should, however, we
1068 make the suggested change, it would be only fair that we then make another detailed study of the headquarters building in Atlanta, which is devoted to both companies, and certain similar offices in the building in Nashville; and New Orleans should sustain an investment charge also from those sources. I did not, however, figure this out, as its effect would likewise be negligible. Furthermore, it should also be recognized that the distribution on floor space would not be fair to the exchanges other than New Orleans, because the commercial office, located on the ground floor, is of a more expensive type of construction and building than the balance of the

building, and an element of the additional cost should be credited to the other exchanges and assessed against New Orleans for this reason. As I advised you, all expense of maintaining the building are classified and proportioned according to use." The letter is signed by Mr. C. J. Holdritch, General Auditor.

Mr. Kittredge: Have you any other statement that you wishe to make, Mr. Wolff?

Mr. Wolff: Well, I have read the latest Georgia decision in the Southern Bell telephone case involving increased rates. I noticed there that the Commission deducted for accrued depreciation about 15%. On the other hand it added an allowance for intangible values, such as assembling, unification, organization and utilization to capacity of the uses for which the properties were designed, approximately 10%. The Commission states in its decision that the values presented by the company were supported by uncontradicted evidence on the hearing of said case; and I believe that there was no representation by the city of Atlanta, Georgia, or a concert of municipalities, from information that I have obtained. I am afraid I do not quite agree with the Commission in its using for these various elements, 10%, as the figure thus obtained is neither fish nor foul, you might say. It is neither the actual investment nor the cost of reproduction, but is a combination of both. As I remember it, in the Alabama telephone case, initiated by the City of Birmingham in 1917, an accountant named Andrew Sangster, of Chicago, presented some figures, part of which were on the actual cost basis and others were on a valuation basis, and that was rather strongly criticised in the company's brief. If these expenses for those
1069 intangibles were actually incurred they should be reflected in the capital accounts of the company, unless they were charged to expense, and if they were charged to expense then there should be made a transfer from the capital accounts to the operating accounts, which would have the effect of increasing the earnings of preceding years. The Commission in this case decided three in favor of the increase,—and the increases were practically all that the company asked for, and yielding 6.5% on the average investment figures offered by it,—and two against it, namely Commissioner Perry and Commissioner Boifeuille,—I am in error in stating that Commissioner Perry was one of the minority. He is Chairman, and was one of the majority.

Mr. Chipley: It is an immaterial point, but Mr. Perry is not Chairman. Mr. Candler is chairman.

Mr. Wolff: Thank you. The Chairman, Mr. Perry,—rather, Mr. Candler, states, among other reasons, for voting the way he did: "If this increase in revenue is required, a portion of it should have been raised from toll rates. I am not convinced that the increased burden should be borne entirely by the local exchange subscribers. The argument for the increased revenue asked for is, to an extent, based upon estimates of increased wages and other expenses in 1921. Until these increased wages are actually made I question the policy of anticipating them by increased rates. The claim of applicants as to net income for the past year, to a material extent, rest upon two

considerable items chargeable to operating expenses, to wit: repairs and annual depreciation. * * * This testimony, considered in connection with an expenditure for repairs, as much as $770,426.00, in one year, would seem to suggest that there may have been a considerable degree of deferred maintenance to meet in the year ending July 31, 1920, and that the acceptance of this large expense in one year as normal is questionable". That, I believe, is all I have to say.

Mr. Kittredge: Have you any further statement to make, sir?

Mr. Wolff: That is all I can think of right now. I might say that the effect of deducting accrued depreciation of 15% and adding 10% for these intangible values, taking the depreciation off of the depreciable property and adding 10% to nearly all of the property remaining, if not all, is to reduce the average investment claimed by approximately 2%.

1070 Mr. *Mr.* Kittredge: What amount should be deducted from the valuation, or basis for depreciation,—what percentage?

Mr. Wolff: The ration of depreciation reserve to the investment on December 31, 1920, for the company was as a whole was approximately 17%. According to the Maryland commission and also the Illinois Commission's latest decision, if you were to take the balance of the reserve, which in this case would be 17%, assuming that the reserve in Louisiana was no greater nor no less than the ratio of the company as a whole, according to certain other practices, which are more predominant, and what is where the percentage condition of the property is determined, the percentage to be taken off would be 15%, according to the testimony of Mr. Yundt, that the percentage condition which he allows is about 85%, which would leave an accrued depreciation of 15%. If you follow the practice in the one case it would be 17%, and in the other it would be 15%.

Mr. Kittredge: Then, at the minimum, 15% should be taken off of the value of the property, for rate making purposes,—is that it?

Mr. Wolff: Yes, if you were making up a rate base on the basis of investment less accrued depreciation.

Mr. Kittredge: And as to the rate of depreciation this year, which I believe is about 6.20%, you consider that——

Mr. Chipley: That is not the correct figure, Mr. Kittredge.

Mr. Kittredge: What is the correct figure?

Mr. Chipley: It is nearer 6.1%. 6.07% is the real figure.

Mr. Kittredge: Is that an excessive or a fair rate of depreciation to take off, in view of the condition of the company as testified to by the witness here?

Mr. Wolff: I am not an engineer, and that is a question which is usually asked an engineer. I was asked that same question in the Mississippi case; and I stated that I would prefer not to express an opinion on it; but if you were to follow the practices of other commissions,—if you were to follow the practice of the New Jersey Commission, you would use 5% on the average; if you were to follow the practice of the Illinois Commission you would take what the experience in the past years has shown,—the relation between the amount taken out of the reserve and the investment, which would

be approximately 3%,—that is about the percentage which
1071 the figure used by the Illinois Commission amounts to.

Mr. Kittredge: Is the reverse, according to the examination which you have made, small or large for the company in this state?

Mr. Wolff: The reserve, according to the books, being approximately 17% and the percentage condition determined having been found to be 15%, one is two per cent in excess of the other.

Mr. Kittredge: I understood you to testify that, according to the exhibits, there was a very large amount being charged up in this state for repairs and maintenance, as against a small amount being taken out of the reserve?

Mr. Wolff: Yes, the amount that is being credited to the reserve, and therefore charged to expense, has been for the past three years approximately twice as great as the amount taken out. In other words, about 6% is being added to the reserve and about 3% is being taken out.

Mr. Kittredge: And during that same period, particularly for 1920, there was a great increase in the amount charged for expense, was there not, as over other years?

Mr. Wolff: Yes, there was a marked increase between the years 1915,—the calendar years,—and the year ending July 31, 1920. The state of Louisiana, compared with the balance of the system outside of Louisiana, showed that the increase in Louisiana was 165% of the total expense, exclusive of depreciation, while outside of Louisiana it was 88.66%. I could not account for this without further investigation, realizing that if the expense were increased on account of any abnormal tendency of materials and wages, that it should affect other states as well as Louisiana, just like it affects Louisiana.

Mr. Kittredge: What were the relative percentages,—you just stated them there?

Mr. Wolff: 165% for Louisiana.

Mr. Kittredge: And for the balance of the system outside of Louisiana?

Mr. Wolff: 88.66%.

Mr. Kittredge: Proceed with your statement?

Mr. Wolff: It is a matter of relativity, and the figures for
1072 the year ending July 31, 1920, for the system outside of the state of Lousiana, I should think, should reflect any increase costs of operations that there were, just as they were reflected in Louisiana. I do not understand, therefore, why the percentage of increase in Louisiana should be nearly twice as great as it was outside of Louisiana.

Mr. Kittredge: Have you any further statement to make, Mr. Wolff?

Mr. Wolff: No, I believe that is all.

Mr. Kittredge: That is all I have for Mr. Wolff, Mr. Chairman.

Chairman Taylor: Mr. Wolff, I want to ask you a few questions: from your investigation into the books of the Cumberland Telephone and Telegraph Company, and from the data that you have obtained from the company and from those books, and from any outside sources that may have been available to you, I want to ask

you to state, as an accountant, what would be a fair rate of return,—what increase, if any, at this time, would produce a fair return on the investment; and what would you consider a fair return on the investment of this company at the present time in Louisiana?

Mr. Wolff: Frankly, Mr. Chairman, I am an accountant, whose duty it is to prepare facts and I have never testified in any case, in all of my experience, along those lines. I have no opinions, really, as to what a fair return would be. The extent to which I ever go is to show what the conditions are. I have not given the matter any consideration at all, from the point of view of your question to me.

Chairman Taylor: Haven't given the matter any consideration at all?

Mr. Wolff: I have not.

Chairman Taylor: Well, then, do you mean to say that you are not prepared, as an expert, after having made an examination of the books of this Company to say whether or not the increase asked for by this company in the application pending before this Commission is reasonable or unreasonable?

Mr. Wolff: No, I am not, really.

Chairman Taylor: You are not prepared to say that the request for advanced rates is reasonable, nor are you prepared to say that is is unreasonable?

Mr. Wolff: That is correct.

Chairman Taylor: Are you prepared to say, from your examination of the books and accounts of the company that those books and accounts are not correct, as presented; and, if they are not
1073 correct will you point out wherein they are incorrect and suggest such changes in the method of keeping those books as would enable this Commission to determine whether the rates should be maintained as they are at present, increased or decreased?

Mr. Wolff: Well, I would have to go back a little into history on that point. My experience with this company and with the Southern Bell Company has been about as follows: I represented the Associated Municipalities of Alabama in the recent case before the Public Service Commission there, and worked up all of my data from external sources, principally from the reports of the company to the Interstate Commerce Commission. The municipalities wanted to examine the books of the companies, but they were denied the right. In the Mississippi case I had just three weeks in which to prepare my data; and in that case, a different company being involved, the Cumberland Company, I found it to be of greater advantage to me, in the light of my experience with the Southern Bell Company in the other case, to follow the same *the same* procedure,—to finish my work on the Interstate Commerce Commission records; and then, if there was any time left, to attempt to examine the company's books, assuming that the right to do so would not have been denied the Attorney-General of the state of Mississippi. On account of the shortness of time I got to that hearing, metaphorically, out of breath, the same as I did here, and was just barely able to complete by anaylsis of the reports to the Interstate Commerce Commission. So I did not examine the books there. In this case I had the ad-

vantage of the exhibits which I had prepared in the Mississippi case, and which I utilized as far as I could, plus the same general exhibits on price tendencies, brought up to date, from the Alabama case. The books were open to my inspection, here but, as I stated, I was able to give less than a week of my own time at the company's offices in Atlanta and at New Orleans. I therefore devoted that time, as I do in all of these cases, to try to accomplish the most I could in the time at my disposal; and I found that the most I could accomplish was to make certain comparisons, similar to those which I made from the Interstate Commerce Commission records, making my comparison from the company's own records and statistical data, prepared for its own purposes. I therefore have not made any inquiry,—I am, I may say, almost to the point where, if the in-

1074 vestigation were continued, I would make an investigation or inquiry into the company's methods of apportionment, etc., which are of vital importance in proceedings of this character. For this reason I am, therefore, really unable at this moment to suggest any change in the company's method of keeping accounts or making apportionments, in order that Louisiana might be treated with more equity, if it is now being treated inequitably, but the comparisons I have made would seem to indicate that the temptation to load Louisiana, the most profitable state serviced by the company, for years, with undue expense,—I do not say that that was done,—but the temptation would be there,—in view of the fact that for one reason or another applications for rate increases in Kentucky and Tennessee are not expedient at the present time. I would, therefore, make an inquiry to see whether or not these apportionments had been made properly and equitably, and that no expense is being charged against Louisiana, because of the more profitable character of its business, which should more properly be charged against other states, or against the system as a whole. Further, I would see to it, through investigation, if the year ended July 31, 1920, were not an abnormal year in that there may have been charged against that year repairs which are in the nature of deferred maintenance, which should have been taken care of as it accrued. In that connection I call attention to the criticism by one of the minority dissenting Commissioners in the Georgia case, along the same line.

Chairman Taylor: From your observation of the books of this company are they kept in accordance with the forms prescribed by the Interstate Commerce Commission for this class of utilities?

Mr. Wolff: Judging from the reports of the company to the Interstate Commerce Commission it would seem to me that they are, yet I could not say so without making an examination of my own.

Mr. Barrow: Do you know whether these books are subject to inspection and examination and audit by accountants of the Interstate Commerce Commission?

Mr. Wolff: I presume they are, like the books and accounts of all carriers or utilities under its control.

1075 Chairman Taylor: Well, Mr. Wolff, you appreciate the fact that in passing on matters of this kind the Commission must be guided by the evidence before it,—from the figures presented.

Now, the Company has come here and presented certain figures and they claim, based on these figures, that they are in need of and entitled to certain increases in rates. Now, you went over these books and accounts, not as fully as you would have liked to, perhaps, because of the element of time, but it is clear that you did make a rather exhaustive investigation into this matter from the mass of data you have presented here; and no doubt you have read the record and gone over a good deal of the testimony filed by the company at the first hearing. Now, then, with all of this before you, and being familiar with it, what is your suggestion, or what is your conclusion as to the fairness of the application which the company has made to this Commission for an increase in its rates? In your opinion, admitting that the rates of return which the company says it wants to make on its investment is a fair rate, for the sake of argument, it is your conclusion that the rates that they have suggested are too high? If they are too high, then what, in your opinion, would be a fair rate of increase to apply, should the Commission decide to grant any at all? I just want your opinion on it. You are familiary with these things. You are in this class of work and, as shown by your testimony, you have a good deal of experience, and certainly it appears to me, at least, that you are a fair and competent? I wish you would answer that question.

Mr. Wolff: Well, without entering into a discussion of the legal phase of the matter, which is not within my province, but just merely touching on that, as bearing on the subject, the company has asked for an increase of rates which would yield, in Mississippi, 5.25% on the stated investment. The company is earning in Kentucky and Tennessee including the smallest part of the state of Illinois in which it operates, approximately 3.07$ while in Louisiana it has been
1076 earning on the basis of 5.92%. I am a little in error there. It asked to earn, in Mississippi, 5.25%; and if I stated it did earn that I was in error. It earned in Mississippi 4.16% and asks to be permitted to earn 5.25%. It asked to earn in this state 8.23%. As I have indicated above, it is not within my province to pass on these questions, but you have asked me for my opinion, and I will give it, though I am not fond of expressing opinion on these subjects. I prefer to deal with the facts as they are before me,—but there does not seems to be any equity there, or any good reasons why they should ask to earn more on their investment in one state than they should in another,—so vastly much more than in another,—especially in view of the fact that they are already earning more in Louisiana than they are asking to be permitted to earn in the other state; and also when you consider the fact that no increase is being asked for in Tennessee, where the earnings are about one half of what they are in Louisiana. Does that answer your question, Mr. Chairman?

Chairman Taylor: Partly so, yes. But you would not attempt to say what would be a reasonable return on the investment?

Mr. Wolff: No, I have never testified on such a point in any case in which I have appeared, and while I may do so at some time in

the future I have not given the matter enough thought to warrant me in making a statement in that connection now.

Mr. Barrow: Mr. Wolff, from your study in this case have you found anything to lead you to the conclusion that the officials of the Cumberland Company are not competent and efficient officials?

Mr. Wolff: I have not.

Mr. Barrow: Or that they are not managing and operating the property efficiently and economically?

Mr. Wolff: No.

Chairman Taylor: Have you found the salaries and wages of the employees of this company out of proportion to the salaries and wages of employees of other industries, in similar service and of similar experience and skill?

Mr. Wolff: I really do not know. I am not competent to answer that. I don't know about other corporations.

1077 Chairman Taylor: That is all I want to ask you, Mr. Wolff. Thank you. I think you tried to answer me fairly.

Mr. Wolff: I tried to.

Chairman Taylor: Any cross-examination for this witness, Mr. Chipley?

Mr. Chipley: Not any, Mr. Chairman, thank you.

Chairman Taylor: Are you through with this witness, Mr. Kittredge?

Mr. Kittredge: That is all for Mr. Wolff, yes.

Chairman Taylor: You are excused, Mr. Wolff.

Witness excused.

1078 Mr. W. F. BROWN was called as a witness, and, having been first duly sworn testified, as follows:

Mr. Kittredge: Mr. Brown, where do you live?

Mr. Brown: Opelousas, St. Landry Parish, Louisiana.

Mr. Kittredge: What is you- business?

Mr. Brown: I am now working for a dredging corporation; and I also have charge of about 70 miles of public road in my parish, where I am a member of the Police Jury.

Mr. Kittredge: What is you- experience with respect to the cost of labor and materials used in your business, in your community now as compared with the peak prices in the latter part of last year, or the last half of last year?

Mr. Brown: Well, the labor item cost, in general, up to the first of December, say, of last year, in our line of work, was more than 50% higher than it is today. Up until the first of December, or the middle of November, we paid on an average 40 cents per cubic yard for moving dirt on our public highways; and at the present time we are paying about 25 cents per cubic yard. We were paying our right of way labor $4.00 per day up until that time. Today we are paying right of way labor $2.00 a day, and we have an ample supply. We paid up to that time for hauling gravel to the job, an average of 3 miles, about $3.50 per cubic yard for the gravel. Today we are paying $2.00 a cubic yard for hauling that

same gravel. The extra teams that we used for road construction, for instance, and also on our dredging job, up until that time, we paid $8.00 per day for a pair of mules and a driver; and today we are paying $5.00. With reference to the labor that we use in clearing our right of way, for instance, why, we paid them—we had a crew that we paid for cutting cord wood—using a saw and axe—we paid $3.50 a cord for getting the wood out, and today we are paying $2.00 a cord for getting that wood out. Our bridge construction along the highways and also across Bayou Teche, that leads from Port Barre to St. Martinsville, which we are dredging out under government permission, our bridge work cost us $40.00 per thousand board feet to have it done; and today we are having it done
1079 for $25.00 per thousand board feet.

Mr. Kittredge: Was that for the timber or labor?

Mr. Brown: No, sir, these are all labor costs.

Mr. Kittredge: Are they skilled mechanics?

Mr. Brown: Aure, they are men who understand that kind of work. It takes a skilled workman to handle a cross cut saw with good results—as much so as it takes a skilled man to handle a pencil or pen. Furthermore, the interests in my locality, I do know it to be a fact, especially among the rice people, because my company is irrigating from our canal in the neighborhood of 65,000 acres of rice land, and I am in close touch with all the rice planters and farmers along that canal; and they were paying as high as $3.00 a day to men to help harvest the rice. Today that same labor, wherever a man is planting a rice crop again this year, is being paid $1.00 a day. Now, we have a big saw mill right in our town that paid their labor in the swamp for felling timber, etc., at the rate of $3.50 a day; and I was in Mr. Marshall's office, who is the manager of the Port Barre Tie & Timber Company's mill; and his bookkeeper was making up the pay roll, and we got to talking about the price of labor, as we always consult each other on that point; and he showed me where men that were drawing $3.00 a day last year were now working for $1.25 a day; and those that were drawing $3.50 a day are now drawing $1.75. The mill was running and they had plenty of labor to carry on their business.

Mr. Kittredge: Did he say anything to you about the more skilled labor in the mill? Were they reduced?

Mr. Brown: Oh, yes, sir, they were reduced on a percentage basis—from a 20% to a 30% reduction. Everything on the pay roll. Now, the higher priced labor was reduced 30% and the lower priced labor, there in the mill, was reduced 20%.

Mr. Kittredge: Is there any cotton raised in your section of the country?

1080 Mr. Brown: Oh, yes, sir.

Mr. Kittredge: What was the average labor cost last year, 1920, of field hands in the cotton section?

Mr. Brown: The day laborers and farm labor got $2.00 a day in the cotton fields.

Mr. Kittredge: What are they getting this year?

Mr. Brown: The farmers are paying $1.00 a day this year—that

is those that are having any work done at all are paying their labor $1.00 a day, and getting plenty of labor at that.

Mr. Kittredge: Is there any prospect of labor going up in your community this year?

Mr. Brown: None that I can see. There is plenty of labor there at the rates that are being paid now. Men are begging for jobs.

Mr. Kittredge: Have commodities in general gone down in your section of the state?

Mr. Brown: Yes, sir, there has been a big drop in everything—that is, the necessities, you understand, or most of them.

Mr. Kittredge: That is all, Mr. Brown.

Chairman Taylor: Any questions for this witness, Mr. Chipley?

Mr. Chipley: None at all, sir.

Chairman Taylor: You are excused, Mr. Brown.

Witness excused.

1081 Mr. CLEM G. HEARSEY was called as a witness, and, having been first duly sworn, testified as follows:

Mr. Kittredge: What is your occupation, Mr. Hearsey, and your residence?

Mr. Hearsey: Secretary of the Board of Public Service Utilities at the City Hall, New Orleans, Louisiana, on the staff of Commissioner Maloney.

Mr. Kittredge: Have you made any investigation into the prices in New Orleans of commodities in general?

Mr. Hearsey: Yes, I made some investigation in the week that is now drawing to a close.

Mr. Kittredge: Of what?

Mr. Hearsey: Of wholesale commodity prices and retail prices, cost of living, employment, business failures, and unfilled steel orders.

Mr. Kittredge: You have some exhibits on that subject?

Mr. Hearsey: Yes, sir.

Mr. Kittredge: File your exhibit No. 1, please?

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Hearsey's Exhibit No. 1.")

Mr. Hearsey: Now, this exhibit shows the number one wholesale prices, May, 1920, and the highest figure or index number is 272. The latest figure, which is for December, 1920, shows index number No. 189.

Mr. Kittredge: For what commodities?

Mr. Hearsey: They are figures on basis materials, such a steel and iron, and things like that.

Mr. Kittredge: How many commodities were there in that average?

Mr. Hearsey: In that average, I think there were ten. Now, in part 2,—I have compared them, for the sake of convenience,—as to wholesale prices, for February, 1920, the highest figure is $20.86; and for January, 1921, that figure is $12,663.

Mr. Kittredge: For what unit, pounds, gallons, or what?

Mr. Hearsey: Pounds,—106 articles were taken and they are all priced by the pound, and averaged, so as to arrive at this index number.

1082 Mr. Kittredge: Where did you get your prices?

Mr. Hearsey: These prices,—first prices from the United States Bureau of Labor Statistics, as published in the Commercial and Financial Chronicle of July 24, 1920; and January 22, 1921; and the second figures from Bradstreet's Review.

Mr. Barrow: Are the dates shown in the exhibits?

Mr. Hearsey: Yes, sir, the dates are shown in the exhibits.

Mr. Kittredge: Go ahead, Mr. Hearsey.

Mr. Hearsey: Now, the fourth, retail prices, July, 1920, the highest figure is $2.19 and the latest figure, for December, 1920, is $1.78. They are from the "Analysist" published by the New York Times, of date February 14, 1921. Now, part 6 covers the matter of employment. The figures show that for January, 1920, there were 9,400,000 men employed; and the latest figures, those for January, 1921, shows that there were 6,070,000 men employed. These are from the statistics of the United States Department of Labor. Column 7 is "Buildings." The date of the highest point in April, 1920, $113,000,000 in buildings; and the lowest point is December, 1920, $39,000,000.00. These figures are from Babson's chart. The figures represent millions of dollars and are for 20 cities. Column 8 is "Business Failures"; January 1920, 569; January 1921, 1895. These figures are from R. G. Dun and Company. Thee first figure is the lowest in years. Column 9 is "Steel-Unfilled Tonnage." March, 1920, it was 11,000,000 tons; in January, 1921, it was 7,600,000 tons. These figures are from an article in the "Iron Age" quoted in the "Chronicle" for January 5, 1921; and the commercial column of the Times-Picayune for January 11, 1920. Column 10 is "Idle Cars"; August, 1920, 124,226 short; January, 1921, there was surplus of 286,462, according to Babson's chart. Now, in addition, on this same sheet I have shown the bank deposits for New Orleans of January, 1920, and January, 1921; January, 1920, showed $386,916,000.00; and January, 1921, $302,105,000.00.

1083 I obtained the following figures as to prices on sugar from the New Orleans Sugar exchange; white granulated, price per pound July 1, 1920, 24 cents; October 1, 1920, 12.74 cents; February 24, 1921, 7.75 cents. Here are some figures that I got from Mr. J. C. Creamer, General Manager of the New Orleans Committee on Lumber; March 20, 1920, 376 articles, averaged $71.10 per thousand; July 10, 1920, 355 articles averaged $51.28; October 10, 1920, 360 articles averaged $47.70; November 10, 1920, 368 articles averaged $41.95; December 10, 1920, 376 articles averaged $40.67; January 10, 1921, 370 articles averaged 36.92; January 31, 1921, the latest figures taken, 361 articles averaged $31.89. Now, in addition to this, some weeks ago I wrote to, I think, 32 of the larger cities, from New York down, asking them for their telephone rates. I received replies from Los Angeles, Newark, Kansas City, Providence, Portland, Louisville and Akron, Ohio. I have prepared this as my Exhibit No. 2, which I now offer in evidence.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Hearsey's Exhibit 2.")

In Los Angeles, the rate for individual telephone is $6.25 per month, for a wall set; and $6.75 for a desk set; suburban service, 10 party line $3.00 per month. Now the rate for residence service, flat rate, individual line, in $2.50 per month, for wall set, and $2.75. The number of subscribers in Los Angeles is 144,377, and the population of Los Angeles is 578,680. Newark, N. J., for business service has a measured rate. For residences, straight line, the rate is $48.00 a year; auxiliary service $36.00 a year. The number of subscribers is 24,814; and the population of Newark is 415,000. Kansas City, Missouri, has a monthly business rate of $8.00 and a residence rate of $3.50. There are 105,000 stations, including Kansas City, Kansas, and the total population served is 325,000.

Mr. Kittredge: Kansas City has 105,000 stations?

Mr. Hearsey: Yes, sir. Seattle, Washington, business service, has a rate of $8.50 per month, wall set; and desk set $8.75. They have a measured service $6.50 per month, 130 calls allowed; excess calls 4 cents each. For residence, the rate is $3.75 per month, wall
1084 set, and $4.00 desk set. For two party lines the rate is $3.00 for wall set and $3.25 for desk sets; the four party lines are $2.50, wall set; and $2.75 desk set. The number of subscribers in Seattle is 74,897; and the population is 315,000. Providence, R. I. measured service, straight line, $3.50 per month, 70 messages allowed; two party line, $3.00 per month, 60 messages allowed, and extra calls are from 3.5 cents down to 3.25 cents on local service. The residence rate is $3.50 per month for unlimited service. For two party line service the rate is $3.00 per month, local service. The number of subscribers is 34,489; and the population 296,000. Portland, Oregon, has a business rate of $8.00 per month; and a residence rate of $2.50 per month. There are 56,000 subscribers and the population is 258,000. Louisville, Kentucky,—these are the rates of the Cumberland Telephone and Telegraph Company, effective to January, 1922; business $7.00 per month; residence, $3.50, straight line, and two party line $2.50. There is a zone system in Louisville, and the residence rates are on a zone basis. The number of subscribers to the Cumberland service in Louisville is 11,817; and the Home Telephone Company has 16,000. The population of Louisville is 250,000. The Louisville Home Telephone Company, according to the information that I received from the Commissioner of Public Utilities there is now asking for a new franchise, with rates as follows: business houses, $6.00 per month, unlimited service, straight line, residence, $3.50 per month; unlimited, two-party line service $2.50 per month. In Akron, Ohio, a straight line business phone pays $75.00 a year; a two party line $63.00 per year; four party line $51.00 a year, residence phones, straight line $39.00 per year; two party line $33.00 per year; four party line $27.00 per year. The number of subscribers is not given. The population of Akron is 207,000.

Mr. Kittredge: That is all the exhibits you have, Mr. Hearsey?

Mr. Hearsey: That is all, yes, sir.

Mr. Kittredge: That is all for Mr. Hearsey.

Chairman Taylor: Any questions, Mr. Chipley?

1085 Mr. Chipley: None.

Chairman Taylor: You are excused, Mr. Hearsey.

Witness excused.

1086 Mr. A. N. SWEENEY was called as a witness, and, having been first duly sworn, testified as follows:

Mr. Kittredge: Mr. Sweeney, are you famliar with the prices of materials and necessities of life in New Orleans?

Mr. Sweeney: Yes, sir, I am. I had an interview with the Board of Trade and these are the prices which they gave me. I file my exhibit "Sweeney No. 1."

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Sweeney's Exhibit 1.")

Mr. Sweeney: The price of rice in New Orleans in July was 13.11 cents per pound; in October, 8.25 cents; in February 3.5 cents. Those are the official quotations. Coffee, Rio No. 7 in July 13.25 cents; October 7⅝ cents; February 10⅞ cents. Beans, northern, white, July 8.75 cents; October 7⅜ cents; February 5.5 cents; Northern kidney beans, July 16 cents; October 17 cents; February 11.25 cents. Lima beans, July 12.5 cents; October 10.5 cents; February 7.25 cents. Butter, July 60 cents for choice creamery; and October 64.5 cents; and February 53 cents; Wheat, July $2.74 per bushel; October 2.07; February, $1.72. Corn, July, $1.57; October, 93.25 cents; February 71.75 cents. Oats, July 83 cents; October 61⅝ cents; February 46 cents. I have some prices on other commodities which I show on my Exhibit #2 which I file.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Sweeney's Exhibit 2.")

Mr. Sweeney: Cotton, July, 39.5 cents; July 15, 39 cents; October 1, 23 cents; February 1, 13.75 cents; February 23, 12.62 cents.

Mr. Kittredge: Where did you get those figures from?

Mr. Sweeney: From the Cotton Exchange, on the 23rd of February. Now, on nails, last July, and, in fact, up until around November,—well, the trust had one price, and you paid that price when you ordered them and got them when they delivered them, but there were prices anywhere from $3.75 to $5.50. I know of one carload bought at $5.50 basis, f. o. b. Pittsburgh, and——

1087 Mr. Kittredge: $5.50 per what?

Mr. Sweeney: Per 100 pounds; and today they are quoted $3.25 f. o. b. Pittsburgh, and shipment inside of a week. Galvanized sheets, July, $8.50 per hundred basis; to-day they are $5.20 per hundred basis. Iron bars in July, $3.75 per hundred basis; to-day they are $2.35 per hundred basis. These prices are all f. o. b. factory. Now, the Crane Company's basis on brass valves, galvanized, in July, 31%. Today the Crane Company's basis is 55% on brass

valves. Wheelbarrows, July, $10.07 per dozen; today they are $7.20. Picks were 25% off and today they are 30% off. I now file my Exhibit 3, showing other prices.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Sweeney's Exhibit 3.")

Mr. Sweeney: Some of the pipe manufacturers last year,—well, the trust had a basis of 57.5% f. o. b. Pittsburgh,—some of the independents were 54.5%; and the La Belle Iron Works, they went out of the market at 50% off on account of scarcity of raw material. The independents, as well as the La Belle, are now back on the market at the trust price of 57.5% off, f. o. b. Pittsburgh, with deliveries prompt. I have here a discount sheet from the Western Electric Company, showing prices for December, January and February, 1920. Those prices range,—the February prices were cheaper by anywhere from 2.5% to 20% than in December, 1920. I will file these as my exhibit 4.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Sweeney's Exhibit 4.")

Mr. Kittredge: Aren't some of the items on there reduced as much as 30%.

Mr. Sweeney: Well, probably in 22 instances as much as 30%; but on any number they were reduced as much as 20%.

Mr. Kittredge: Is it your observation that prices are going up or down now?

1088 Mr. Sweeney: The general trend of prices is downward. I don't know of any commodity that is not on the downward slide.

Mr. Kittredge: How about labor? Do you know whether it is going up or down?

Mr. Sweeney: No, sir, labor is not going up. Mr. Haley, of the Marine Iron Works, told me that on the 15th of March, mechanics' wages in the city of New Orleans would be reduced 10%, so that the city of New Orleans might compete with other cities in the shipping business.

Mr. Kittredge: Do you know of any large concern in New Orleans that has already reduced its wages?

Mr. Sweeney: Well, I was told here in Baton Rouge that the Standard Oil Company, on its last pay day made a cut of 10%.

Mr. Kittredge: Is labor hard to get and scarce now, or is there a free supply?

Mr. Sweeney: No, sir, the demand for labor is nothing like what it was. There are two, and probably, three, big commercial houses in New Orleans who on the first of the year made a cut in all forces—by that I mean mechanical forces, warehouse forces and general labor forces.

Mr. Kittredge: At this time, which way does the shortage appear to be; is it *it* a shortage of men or a shortage of jobs for men?

Mr. Sweeney: Well, from what the trade journals say about conditions prevailing in the north, it is very easy to pick up labor. In

fact one plant in Louisville, the Standard Sanitary Manufacturing Company, closed down for two weeks. When they got ready to open up they advertised for two hundred men and the following day they had from one thousand to fifteen hundred applying for jobs.

Mr. Kittredge: Are plants engaged in the manufacture of rubber, lumber, iron and steel, and other basic commodities in the United States running with full forces or have they reduced the size of their forces and their wages, or shut down—as you know from the
1089 trade journals, of course, and from your observation in your business?

Mr. Sweeney: Well, the lumber people have practically ceased operations, according to the trade journals.

Mr. Kittredge: Why?

Mr. Sweeney: On account of the low price of lumber and the lack of demand, and that, of course, has thrown their forces out of work.

Mr. Kittredge: Last summer, around July and August, did the same conditions prevail with respect to the closing down of plants, the reduction of wage rates; and was the condition of the labor market the same as it is today?

Mr. Sweeney: No, sir, the slowing up commenced around the latter part of October or the first part of November.

Mr. Kittredge: That is all, Mr. Sweeney.

Chairman Taylor: Any questions, Mr. Chipley?

Mr. Chipley: None.

Chairman Taylor: You are excused, Mr. Sweeney.

Witness excused.

1090 Mr. E. C. McCallum was called as a witness, and, having been first duly sworn, testified as follows:

Mr. Kittredge: Mr. McCallum, what is your occupation?

Mr. McCallum: Assistant Secretary of the Board of State Affairs.

Mr. Kittredge: How long have you been Assistant Secretary of that Board?

Mr. McCallum: Since the organization of the Board in 1917.

Mr. Kittredge: Generally speaking, what are the duties of the Board of State Affairs?

Mr. McCallum: Well, primarily to value property throughout the state for assessment and taxation purposes.

Mr. Kittredge: It is a supervisory board over the various assessors throughout the state?

Mr. McCallum: Yes, sir.

Mr. Kittredge: What is the Board's policy, under the law, or what is its practice,—is property taken at its full value for assessment purposes or at less than its full value?

Mr. McCallum: The law of Louisiana today requires that all property be assessed at its actual cash value.

Mr. Kittredge: Does the Board carry that provision of the law into effect literally?

Mr. McCallum: As far as it is physically possible to do so, yes, sir.

Mr. Kittredge: Does the Board investigate the value of properties before rendering their decisions?

Mr. McCallum: Yes, the Board is constantly doing everything it can to ascertain the actual cash values.

Mr. Kittredge: Have you with you the returns of the Cumberland Telephone and Telegraph Company to the Board for the past three years for the purpose of assessment and taxation?

Mr. McCallum: Yes, sir.

Mr. Kittredge: Will you read to the court or the commission the return of the value of their property in the state?

Mr. McCallum: For the entire state the company returned
1091 the total value on its property in Louisiana as being $6,477,-401.00.

Mr. Kittredge: For what year?

Mr. McCallum: For 1918; and the Board, I think, that year, established an actual value of $8,967,328.00. In 1919 the company returned a total actual value of $6,889,060.00; and the value as fixed by the Board was $9,165,224.00. In 1920 the return was $7,374,-927.00; and the present value as fixed by the Board was $9,524,212.

Mr. Kittredge: Is that the last valuation fixed by the Board? Is that what they are now being assessed on?

Mr. McCallum: Yes, that is for the year 1920.

Mr. Kittredge: Have you the return for the year 1921?

Mr. McCallum: No, sir, that has not been made yet.

Mr. Kittredge: Are the returns made by the tax payer sworn to?

Mr. McCallum: Yes, sir.

Mr. Kittredge: Were these returns as made by the company sworn to?

Mr. McCallum: Yes, sir. The figures I have given were taken from the sworn reports of the company on file with the Board.

Mr. Kittredge: And they are now on file with the Board?

Mr. McCallum: Yes, sir.

Mr. Kittredge: Will you please file as your Exhibit 1 the statement from which you have been reading?

Mr. McCallum: Yes, sir.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "McCallum's Exhibit 1.")

Mr. McCallum: I also have here the values returned by the Company and the values as fixed by the Board for the Company's property in the Parish of Orleans, if you wish that.

Mr. Kittredge: Yes, if you please.

Mr. McCallum: In 1918, in the parish of Orleans, the company returned a value of $2,480,322.00; and the Board's value as fixed
1092 was $3,400,256.00. In 1919 the Company returned for the parish of Orleans $3,079,513.00; and the Board fixed a value of $3,943,357.00. In 1920 the company returned a value of $3,459,-281; and the board fixed a value of $4,352,727.00.

Mr. Kittredge: Those figures for the parish of Orleans were also sworn to, were they not?

Mr. McCallum: Well, they were sworn to in the same way,—that is, these figures for the parish of Orleans were taken from the return of the company for the state as a whole, which were sworn to. I merely segregated the New Orleans figures from the figures for the entire state.

Mr. Kittredge: Please file the statement showing the figures for the parish of Orleans.

Mr. McCallum: Yes, sir.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "McCallum's Exhibit 2.")

Mr. Henriques: You don't know anything about what took place before the Board in relation to the explanation of these returns, between the Chairman, Mr. Riordan, and myself, and Mr. Hoxsey?

Mr. McCallum: Yes, sir, I know in a general way.

Mr. Henriques: Don't you know that we told the Board that they were for assessment purposes and that they were but 70% of the value of the company?

Mr. McCallum: Yes, sir, the figures returned by the company were supposed to represent 70% of the actual value.

Mr. Henriques: And that explanation was made by the company to the Board?

Mr. McCallum: Yes, sir, the Board's figures really represent an addition of 30% to the figures returned by the company.

Mr. Henriques: Less 3% for 1919 and 7% for 1920?

Mr. McCallum: Yes, that is correct; and in 1919 they,—in 1921 they will get the full 10%,—3%, 4% and 3%, making 10%.

Mr. Henriques: We are to get a 10% deduction under our agreement with the Board?

1093 Mr. McCallum: Yes, sir.

Mr. Henriques: Less the value of our property?

Mr. McCallum: Yes, sir. In other words, the Board in 1918 capitalized the company's return at 70% and added 30% to the return, to get a 100% actual value. The Company entered into an agreement with the Board whereby the figures returned in 1918 would be capitalized at 70%; and then a total of 10% depreciation allowed in the next three years. I think in 1919 3% was allowed and 4% in 1920—an additional 4%; and in 1921 the Board is going to allow them 10% from the 1918 value plus the increased value since.

Mr. Henriques: You mean plus the 1921 return?

Mr. McCallum: Well, yes, sir. In other words, the 1918 return was capitalized at 70%; and a 10% deduction for depreciation for the period between 1918 and 1921 is to be allowed, plus the additions to the plant subsequent to 1918.

Mr. Kittredge: Then the 1920 figure as fixed by the Board is supposed to be the actual value of the company's property in the state of Louisiana, less 4% is that it?

Mr. McCallum: Yes, sir, less 7% for the 1918 return.

Mr. Kittredge: You allowed 4% for that year?

Mr. McCallum: Yes, sir.

Mr. Kittredge: That is all I have for Mr. McCallum, Mr. Chairman.

Chairman Taylor: Do you want to cross examine the witness, Mr. Chipley?

Mr. Chipley: No, sir.

Chairman Taylor: You are excused, Mr. McCallum.

Witness excused.

1094 Mr. JOHN MORRILL was called as a witness, and, having been first duly sworn, testified as follows:

Mr. Kittredge: Mr. Morrill, what is your occupation?

Mr. Morrill: Engineering, with the Sewerage and Water Board, New Orleans.

Mr. Kittredge: Have you made any investigation onto prices of various commodities, particularly those such as are used by your Board?

Mr. Morrill: Yes, sir, our office buys the material for the operation of the different water works and sewerage plants in New Orleans; and our purchases are rather extensive in the course of a year. I have here an item of lead pipe and solder——

Mr. Kittredge: You are reading from an exhibit?

Mr. Morrill: I am reading from a blue print quotation.

Mr. Kittredge: Did you make it up?

Mr. Morrill: It was made up in the office. On August 9, 1920, 60,000 pounds of lead pipe was bought for $10.25 per hundred; on February 21, 1921, another lot was purchased at a price of $6.10 per hundred, about a 40% decrease. At the same time we purchased 2,000 pounds of solder, on August 9, 1920, at a price of $27.00 per hundred; and on February 21, 1921, we purchased another lot at $16.95 per hundred. I will file this statement.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Morrill's Exhibit 1.")

Mr. Morrill: I have here a statement or list submitted to me on September 1, 1920, on some black galvanized iron pipe, by Ahrens & Ott Company, now the Standard Sanitary Manufacturing Company,——

Mr. Kittredge: Where are they located?

Mr. Morrill: They have houses all over the country. It is a very large concern. They have an office in New Orleans. It is one of the largest pipe concerns in the country. I will take the first size. On September 1, their price on 6-⅛ inch pipe was $3.34 per hundred; on February 1, 1921, it was $2.82 per hundred. On
1095 one-fourth inch it was $3.65 per hundred on the first date as against $3.08 per hundred at the latter date. Three-eight-s inch, $3.65 per hundred as against $3.08. It goes on up the line. Ten inch on September 1, 1920, was $409.90 per hundred; and that price on February 1, 1920, was $326.42.

Mr. Kittredge: Per hundred pounds or per hundred feet?

Mr. Morrill: Per hundred feet. I will file that.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Morrill's Exhibit 2.")

Mr. Morrill: I have here some specifications and proposals on various materials, such as lumber——

Mr. Kittredge: Gotten up by whom?

Mr. Morrill: By the sewerage and Water Board, and let out on competitive bids,—to whoever made the lowest bid.

Mr. Kittredge: You mean these are printed pamphlets issued to all prospective bidders?

Mr. Morrill: Yes, sir, every six months, for the material which will be required. It is really a copy of the contract. Now, the first one I have here is from May 12, 1920 to November 12, 1920, which I will file.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Morrill's Exhibit 3".)

Mr. Morrill: Now, the prices on that lumber for the former six months,—I will take up the first item of 1 by 3 by 16,—the lowest bid then was $40.00 per thousand; and on the last contract, dated December 1, 1920, it was $25.00 per thousand. The next item is 1 by 3 by 20, "C" grade, the prices are $40.00 as against $25.00. The next item is $40.00 as against $25.00, for 1 by 3 by 22; and it goes along the line the same way. They all show a heavy decrease.

Mr. Kittredge: In Lumber?

Mr. Morrill: Yes, sir, and in other items also.

Mr. Kittredge: Is that same ratio of decrease proportion-
1096 ately maintained,—that is, as between 40% and 25%,—
carried, in a general way, through the two exhibits you have before you?

Mr. Morrill: I have not studied that over. I had short notice about this; but they all show a decrease.

Mr. Kittredge: What are the character of materials which your bids are on?

Mr. Morrill: Oh, different kinds of material, such as pipe, sand, gravel, cement, lumber, brick, etc. They are shown in the list.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Morrill's Exhibit 4.")

Mr. Morrill: I also have here a copy of some quotations on some pipe purchased by the city. The first item, 4 inch, Class "B" pipe, on September 30, 1920, that pipe cost $77.75 and the contract was let at that price. On January 14, 1921, the same pipe cost $64.75. It goes on down the list. Here are some special castings; and the prices as of those dates are $144.75 as against $125.00. That shows about a 13% drop. The others show a greater decrease. This is material that was purchased by the Sewerage and Water Board. I will file this.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Morrill's Exhibit 5.")

Mr. Morrill: We have an agreement with the Standard Oil Company, dated November 27, 1920, on some oil—lubricating oil. That contract was to run for one year from date,—that agreement, I should have said. They wrote me a circular letter,—sent me a copy of a circular letter dated February 10, 1921, in which they state that they have been able to bring about a reduction in prices on some of their brands which "we desire to give you the benefit of." The first item is Capital Cylinder Oil. The former price on that was 59.5 cents and they reduced it to 52 cents. S. W. Cylinder oil was 73.5 cents and it was reduced to 62 cents. Black oil was 19.5 and it was reduced to 17 cents. Atlantic Red Engine oil was 37 cents and it was reduced to 32.5 cents. Standard Gas
1097 Engine Oil was reduced from 48 cents to 45.5 cents. This was the contract that was made, or the agreement that was made, that I told you of, dated November 27, 1920. Mr. Pearson, of the Standard Oil Company, with whom I was talking the other dat, told me that in November, 1920, the prices on fuel oil at Baton Rouge was $3.25; and that on February 24, 1921, it was $2.00 a barrel f. o. b. Baton Rouge. I will file this.

(The exhibit so offered and identified, was thereupon received in evidence, and marked "Morrill's Exhibit 6.")

Mr. Morrill: I have some discount sheets of fittings here, and almost every item on here shows a drop in prices,—galvanized iron flanges and elbows, and things of that kind. It is quite a long list of items.

(The exhibit, so offered and identified, was thereupon received in evidence, and marked "Morrill's Exhibit 7.")

Mr. Morrill: I was talking to a reputable hardware man the other day; and I asked him to give me his opinion as to about what the drop in different items were; and he submitted me a letter showing that the reductions range from 10% to 35%.

Mr. Kittredge: Do you know anything about labor conditions in New Orleans?

Mr. Morrill: I know that the foundries in New Orleans are looking for work—most of them. One of the largest shops down there has been shut down, or practically shut down, for lack of work. That is the Dibert, Bancroft & Ross shop.

Mr. Kittridge: Well, in your department, the Sewerage and Water Board, don't you handle a great deal of labor?

Mr. Morrill: Not a great deal in our department, no, sir.

Mr. Kittredge: Doesn't the Board itself, though, handle a great deal of labor?

Mr. Morrill: They do, yes sir.

Mr. Kittredge: Do you know whether labor is scarce or plentiful?

Mr. Morrill: I know that up to six months ago we had
1098 to go out and look for men; but now they are calling around looking for work. They are getting all the labor they want.

Mr. Kittredge: What would you say was the trend of prices of commodities generally and the necessities of life, and including steel, iron, hardware, electrical supplies, etc., is the trend in New Orleans downward or upward?

Mr. Morrill: Downward.

Mr. Kittredge: Do you know whether manufacturers and large plants generally are running at full time or with full forces, or whether they are running only part time and with reduced forces, not only in New Orleans, but elsewhere in the country?

Mr. Morrill: I know of quite a number of lumber mills that have shut down and a number of automobile plants have shut down.

Mr. Kittredge: And that tends to throw a lot of idle labor on the market, looking for jobs, does it not?

Mr. Morrill: Yes, sir.

Mr. Kittredge: Do you know whether labor wages are tending upward or downward?

Mr. Morrill: They are certainly not going up. They are going down, if anything.

Mr. Kittredge: That is all for Mr. Morrill, Mr. Chairman.

Chairman Taylor: Do you want to examine this witness, Mr. Chipley?

Mr. Chipley: No, sir.

Witness excused.

1099 Mr. W. F. Brown was recalled for further examination, and having been previously sworn, testified as follows:

Mr. Kittredge: Do you know anything about the manufacturing plants and other large industries in Louisiana, as to whether they are operating at their maximum capacity, as a general thing, or at less than their capacity?

Mr. Brown: Yes, sir, I have a memorandum here in my pocket that I would like to call attention to. In the parish of St. Landry we now have idle in the vicinity of Opelousas and Port Barre, six saw mills and two cooperage plants. I am personally acquainted with the gentlemen who are in every one of those mills; and they have told me that at the present prices of their products—the present prices they are able to get for their manufactures products they cannot pay running expenses. That is the reason why they have ceased operations.

Mr. Kittredge: About how many employees have those concerns?

Mr. Brown: They will average at least a hundred men each.

Mr. Kittredge: And those men are idle now?

Mr. Brown: Well, some of them are naturally working at other jobs. Now, I have men working on my job that were getting $200.00 a month as locomotive engineers for these saw mills, and I have those men working for $4.00 a day.

Mr. Kittredge: Do you board them?

Mr. Brown: No, sir.

Mr. Kittredge: Are the people, the saw mill people, the planters, and the business men of your section generally optimistic and looking for good times, as to the price of cotton and rice and their other products?

Mr. Brown: They are very pessimistic,—extremely so.

Mr. Kittredge: What did rice sell for last year—the high price?

Mr. Brown: Rice to my personal knowledge, sold as sigh as $13.00 a barrel last year.

Mr. Kittredge: Rough or clean?

Mr. Brown: Clean rice. Figuring on that basis today,—well there isn't any use figuring, because they can't sell it today at any price, in my neighborhood, at least.

1100 Mr. Kittredge: If they were selling it what would they get for it?

Mr. Brown: Not more than $3.00. I was in Eunice some two weeks ago on business and I was told there by one of the bankers that in the vicinity of the town of Eunice there was over a million dollars worth of rice in storage; and that the people could not get the money actually necessary to pay their taxes with; and the reason why he was selling me that was this: He was thanking me for getting a resolution passed by our Police Jury extending the time for paying the taxes to the first of March, without interest.

Mr. Kittredge: Are you a member of the Police Jury of your parish?

Mr. Brown: I am, and have been for ten years.

Mr. Kittredge: Your parish is what?

Mr. Brown: St. Landry Parish.

Mr. Kittredge: Is St. Landry Parish, to your knowledge of the state, one of the larger and more prosperous parishes, more so that the average parish of the state, or are you familiar enough to say?

Mr. Brown: I think it is one of the richest parishes of the state. St. Landry Parish has 850 square miles of territory. It has a population of 90,000 people; and excluding the lady vote we have about 4,000 votes in the parish. The assessed valuation of the Parish is $27,500,000.00. We have no salt mines and no oil wells. That is the actual valuation of the farm lands and timber lands and the improvements in the parish.

Mr. Kittredge: There are quite a number of prosperous towns in the Parish, are there not?

Mr. Brown: Yes, the town of Opelousas has four banks, with cash deposits of about $3,500,000.00. The town has a population of 5,000 people.

Mr. Kittredge: Are there any other important towns in the parish?

Mr. Brown: Yes, we have Eunice, our next town in size, with a population of about 3.500; Melville has a couple thousand people, and then there are quite a number of towns of smaller size.

Mr. Kittredge: Are you familiar with conditions in that section of the state other than your own parish?

1101 Mr. Brown: I am very familiar with conditions in my own parish and I am fairly familiar with conditions in the other lower parishes because our canal runs from Port Barre, you might say, to St. Martinville.

Mr. Kittredge: Do substantially the same conditions obtain in those other parishes in that section of the state?

Mr. Brown: Yes, sir, they do; and some of them are worse off than they are in my parish.

Mr. Kittredge: Is St. Landry Parish in a high state of cultivation?

Mr. Brown: Well, that portion of it which is in cultivation is in a high state of cultivation, but there is over two-fifths of the parish—well, I would change that and say that there is not over two fifths of the parish which is in a state of cultivation on account of the timber lands and the overflow area from the Atchafalaya bottoms.

Mr. Kittredge: Are the people, then, in your opinion and judgment, in your parish and in the other adjacent and surrounding parishes sufficiently prosperous from the returns from their labors this year to stand any raise in telephone rates?

Mr. Brown: My God, no. They cannot pay their taxes.

Mr. Kittredge: The Police Jury has found it necessary to extend the time for the payment of taxes?

Mr. Brown: Yes, sir, as far as we had the authority. We were advised by the Auditor's office that so far as the parish taxes were concerned, why, it made no difference to them how long we extended the time for payment of those taxes; but that so far as the state taxes are concerned, why, the state wants its money and must have it, on time, and with interest.

Mr. Kittredge: Do you believe the same condition as to prosperity and finances that obtains in your parish obtains in the other sugar and cotton parishes of the state?

Mr. Brown: Why, I would imagine that the sugar parishes are in a little better shape than the rice and cotton districts. Now, for example, a friend of mine told me some ten days ago,—he is a real farmer and he knows his business,—that his taxes would amount to about $400.00 and he was actually going to let his property
1102 be sold at tax sale and then pay 24% interest and let it run over until next year and redeem it, and I believe the man is telling the actual truth and nothing but the truth.

Mr. Kittredge: That is all.

Chairman Taylor: Any questions, Mr. Chipley?

Mr. Chipley: None.

Chairman Taylor: You are excused, Mr. Brown.

Witness excused.

1103 Mr. MARK WOLFF was recalled for further examination, and, having been previously sworn, testified as follows:

Mr. Kittredge: You have a statement which you wish to make, Mr. Wolff, with respect to some questions asked you previously during the course of the yearing.

Mr. Wolff: Yes; on yesterday I was asked to make certain calculations, one with respect to how much additionally the A. T. & T. Company would receive under the 4.5% contract for the estimated 9,000 additional subscribers as referred to in the evidence in this case, and, second, to determine what the company would be able to pay as a dividend upon its capital stock if it earned in the balance of the territory of the Cumberland Company, outside of Louisiana, the same rate as it earned in Louisiana, on certain basies (1) the earnings for the year ended July 31, 1920 from Hoxsey's Exhibit 9; (2) on the basis of the rate of return shown on Hoxsey's Exhibit 13; and (3) on the basis of the return shown on Hoxsey's revised exhibit there, the same number. I have not been able to work out the first proposition, but will state the formula and the Commission can have it done. I have not had the time: take the gross revenue for the year ended July 31, 1920, add the estimated increase for the present subscribers and divide the sum of those two by the average number of stations for that year—some 62,000. This will yield the average gross revenue per station on the basis of the new rates. The figure thus obtained should be multiplied by 9,000, the estimated number of new stations; and the product of the two would then yield the gross revenue from the new business. Then multiply in turn by 4.5%, which will yield the amount of added licensee revenues to the A. T. & T. Company. I have worked out as best I can from the——

Mr. Kittredge: Pardon me one moment: It has been testified that the majority of the new applications that have been made, and which telephones they desire to install,—some 9,000,—are in New Orleans, where the rate is higher. Therefore, if you could get the exact
1104 number in New Orleans would it not increase the amount to be paid to the A. T. & T. Company because of the higher rates prevailing there; and the consequently greater gross return to the company, on which the A. T. & T. proportion is based?

Mr. Wolff: I think so, as I remember the figures, because out of the $598,000.00 gross increase, I think New Orleans is nearly $400,000.00. The same fomula will apply for New Orleans, only, of course, you would use the New Orleans figures instead of the state wide figures. Now, I have been able to work out the dividends which would be available per share of capital stock should the company earn in the other states the same as it earned and is asking to earn in Louisiana. In making this calculation I used the figures which were available to me, and the result would not be absolutely accurage or exact, though it would be practically so. Using the average investment of $42,187,285.00 for the company as a whole, on the basis of 5.92%, the rate of earnings in Hoxsey's exhibit 9, the total net revenue would be $2,497,487.00. The nearest average date for the bonds and the advances from the A. T. & T. Company that I could get to January 31, 1920, was December 31, 1919, so, to that extent, the difference of one month there may be a slight error. The bonds outstanding on that date were $15,644,500.00, which, at 5%, would yield $782,225.00. The advances from the A. T. & T. Company amount to $7,878,980.00, which, at 5.88%, yield $463,284.00, making a total of fixed charges of $1,245,509.00, which,

when deducted from the net revenue of $2,497,487.00 leaves a balance for capital stock as available for possible dividends of $1,251,978.00; the capital stock outstanding on December 31, 1920, was $40,773,450.00, so that dividing the balance for capital stock by the amount of capital stock gives a dividend of 8.9%, approximately. Following out this same procedure on the basis of the 8.23 percentage, Hoxsey's original exhibit 13, the rate available for dividend on capital stock would be 15.1%. I believe that I estimated roughly that there would be 15%. Working it out on the basis of his revised exhibit, on which he reduces the 8.23% to 7.95%, it
1105 would yield 14.3%. A more equitable basis for determining the part of the depreciation reserve assignable to Louisiana would be by the use of the ratio between the amount set up in the reserve and the amount taken from the reserve as a composite figure in Louisiana as compared with the company as a whole. The company has not submitted the debits and credits to the depreciation reserve for Louisiana separately, so that it is impossible to determine this from the data at hand. That is all that I wished to say.

Mr. Kittredge: That is all for Mr. Wolff, Mr. Chairman.

Chairman Taylor: Any cross examination this time, Mr. Chipley?

Mr. Chipley: Not a word, Mr. Chairman.

Chairman Taylor: Call your next witness, Mr. Kittredge.

Mr. Kittredge: Under the circumstances, Mr. Chairman, not being able to get our case as thoroughly prepared as we wished, through the introduction of additional evidence which we had expected to secure, this concludes our testimony. We have no further evidence to offer, due, as I have said to the impossibility of getting it up in the time at our disposal.

Chairman Taylor: Have you anything to put in in rebuttal, Mr. Chipley?

Mr. Chipley: Nothing, thank you, Mr. Chairman.

Chairman Taylor: Do you gentlemen wish to argue the case?

Mr. Kittredge: I would like to argue it, Mr. Chairman.

Mr. Chipley: Just briefly, Mr. Chairman.

Chairman Taylor: Very well, proceed.

(Whereupon, after argument, at 6.05 p. m., February 26, 1921, the hearing in the above numbered and entitled matter was closed.)

1106 *Affidavit of L. F. Sherer.*

Filed Jun. 23, 1922.

STATE OF LOUISIANA,
Parish of Orleans:

Before me, the undersigned authority, personally came and appeared L. F. Sherer, who having — by me first duly sworn, deposes and says: That he is the official stenographer for the Louisiana Public Service Commission, and that he was the official stenographer for Railroad Commission of Louisiana, predecessor of Louisiana Public

Service Commission and that he was official stenographer for Railroad Commission of Louisiana at the time of the hearings on the application of the Cumberland Telephone and Telegraph Company for increase in exchange rates, No. 3052 of the docket of Railroad Commission of Louisiana, (now No. 40 on the docket of Louisiana Public Service Commission) and that as such he reported all of the evidence offered on the hearing on said applications; that the transcript of testimony filed with the Commission, in two volumes, and *and* filed in this present proceeding, is a true and correct transcript of all testimony offered on said hearings.

(Signed) L. F. SHERER.

Sworn to and subscribed before me this June 23, 1922.

(Signed) F. W. GAUDIN,
[SEAL.] *Notary Public.*

1107 YUNDT EXHIBIT No. 1.

Filed June 23, 1922.

Yundt Exhibit #1 Filed 12/15, 1920. (Signed) H. J.

Louisiana.

Cumberland Telephone & Telegraph Company, Inc.

Number of Telephones Installed, Discontinued, and Net Gain in State of Louisiana.

	Telephones installed.	Telephones discontinued.	Telephones gained.	Average gain per year.
2 years prior to war:				
Years 1915 and 1916.....	21,111	15,031	6,080	3,040
2 war years:				
Years 1917 and 1918.....	14,517	12,186	2,331	1,136
				(2,103—4-year average.)
Since the war:				
Year 1919 and 11 months of 1920	25,470	12,235	13,235	.....
Estimating for Dec. 1920:				
Years 1919 and 1920.....	26,410	12,790	13,620	6,810

2,103 was the average number of stations gained per year during the 4 year period 1915, 1916, 1917 and 1918.

6,810 was the average number of stations gained per year during 1919 and 11 months of 1920.

The recent rate of growth is 3¼ times the previous rate.

It is 6 times the average rate of growth during the two previous years 1917 and 1918. This is a measure of the strain upon the plant and the forces to serve the demand for telephones.

On the next page is shown the same station data for each of the foregoing years, and the number of stations installed and discontinued to make a gain of one station.

1108 YUNDT EXHIBIT No. 1.

Filed June 23, 1922.

Yundt Exhibit #1 (Continued).

Louisiana.

Cumberland Telephone & Telegraph Company, Inc.

Number of Telephones Installed, Discontinued, and Net Gain in State of Louisiana.

Year.	Telephones installed.	Telephones discontinued.	Net gain.
1915	9,977	7,633	2,344
1916	11,134	7,398	3,736
1917	7,812	6,300	1,512
1918	6,705	5,886	819
Total	35,628	27,217	8,411
Average	8,907	6,804	2,103
Ratio	0.24	3.24	1.00
1919	13,850	6,392	7,458
Ratio	1.86	.86	1.00
11 months 1920	11,620	5,843	5,777
Ratio	2.01	1.01	1.00
Total 1 year and 11 months	25,470	12,235	13,235
Ratio	1.92	.92	1.00

The ratios shown above indicate the number of telephones installed and discontinued to result in a gain of one telephone.

Telephone discontinuances and removals are charged to expense of operation.

Station discontinuance ratio was in 1919 the lowest in our history. For 1920 this ratio is increased and from now on will grow to approximately the ratio shown for the years 1915-1918 inclusive.

This will result in a future increase of operation expense.

1109 YUNDT EXHIBIT No. 2.

Filed June 23, 1922.

Yundt Exhibit #2 Filed 12/15, 1920. (Signed) H. J.

Louisiana.

Cumberland Telephone & Telegraph Company, Inc.

Number of Completed Toll Messages Originating in the State of Louisiana.

Year.	Total messages.	Average stations.	Messages per average station.
1915	1,771,467	47,465	37.3
1916	2,113,085	50,505	41.8
1917	2,425,829	53,129	45.7
1918	2,439,402	54,294	44.9
1919	2,524,567	58,433	43.2
1920—11 months ...	2,569,052	.....	....
1920—Estimated	2,802,600	65,243	42.9

The volume of toll messages completed in 1919 was 42% greater than the volume completed in 1915. The volume in 1920 will be 58% greater than the volume in 1915. This is a measure of the growth of toll service demand. The maximum number of messages per year per average station was 45.7 messages in 1917. This number has been falling each year since then, being 42.9 messages for 1920.

This indicates a return to normal use per station of toll service and tends to reduce the average revenue per station.

1110 YUNDT EXHIBIT No. 3.

Filed June 23, 1922.

Yundt Exhibit #3 Filed 12/15/20. (Signed) H. J.

Louisiana.

Cumberland Telephone & Telegraph Company, Inc.

Construction Program for Year 1920 in Louisiana.

$1,369,127.00 was the estimated total expenditure in 1920, for those projects caring for the most pressing telephone needs of Louisiana. This amount of work was authorized on the basis of November 1919 estimates.

$1,560,000.00 will be the cost of this program due to increased cost of labor, material and transportation.

More than 90% of this work is completed.

This construction program requires the following major items of material and equipment:

7,300 Poles.
18,000 Treated Crossarms.
470,000 Lbs. Bare Copper Wire.
90,000 Lbs. Galv. Iron Wire.
6,000,000 Ft. Insulated Station Wire.
21,000,000 Conductor Feet of Cable.
88 Switchboard Positions.
8,500 Subscribers' Instruments.
7,500 Desk Stands.

1111 YUNDT EXHIBIT No. 4.

Filed June 23, 1922.

Yundt Exhibit #4 Filed 12/15/20. (Signed) H. J.

Louisiana.

Cumberland Telephone & Telegraph Company, Inc.

Number of Stations for Which Work Orders Were Issued, Stations for Which Applications Are on Hand, and the Probable Number of Stations for Which Applications Could Be Had if Facilities Were Available to Warrant an Application Being Made for Exchange Service.

Arranged by Principal Centres in Louisiana for the Areas Around These Centres.

Data as of December 1st, 1920.

	Station applications filed.		Inquiries for service.	Total station demand.
	Total.	Orders issued.		
Alexandria	258	35	486	744
Baton Rouge	397	56	307	704
Lake Charles	412	38	154	566
Monroe	278	10	107	385
New Orleans, City ...	4,631	198	663	5,294
New Orleans, Outside .	142	53	13	155
Shreveport	709	37	666	1,375
Total for State .	6,827	427	2,396	9,223

The 6,287 station applications actually on hand are as many stations as have been added per year in 1919 and 1920—See Yundt Exhibit #1.

This demand is approximately that of three years normal demand. To serve this demand, facilities must first be engineered, ordered and constructed.

1112 YUNDT EXHIBIT No. 5.

Filed June 23, 1922.

Yundt Exhibit #5. Filed 12/15/20. (Signed) H. J.

Louisiana.

Cumberland Telephone & Telegraph Company, Inc.

Comparison of 1914 *and* 1920 *Costs of Some of the Principal Items of Plant.*

These Are Average Costs of the Company.

	1914.	1920.	Per cent of increase.
1 30 ft. Class C. Chesnut Pole.....	$5.70	$13.50	137
1 30 ft. Class C. P. Pole.....	10.55	19.00	80
1 Cct. Mi. No. 12 Iron Wire.....	28.79	70.20	144
1 Cct. Mi. No. 12 Copper Wire.....	83.90	160.00	91
1,000 ft. 100 pr. 22 Ga. Aerial Cable	389.30	597.64	54
1,000 ft. 600 pr. 22 Ga. U. G. Cable.	1,349.44	1,792.35	33
100 ft. 4-duct. Single Clay Conduit installed under asphalt pavement.	193.82	328.48	69
1 Subscriber's Drop installed.....	4.83	7.00	45
1 Subscriber's Station installed, Wall set	13.90	19.80	42
1 Subscriber's Station installed, desk set	15.41	22.36	45
1 Section No. 1 Subscriber's switchborad installed	7,430.00	17,140.00	131
1 Section No. 1 Toll Switchboard installed	1,984.00	5,240.00	164
Building per cubic foot.....	.26	.50	92

1113

YUNDT EXHIBIT No. 6.

Filed June 23, 1922.

Yundt Exhibit 6. Filed 12/15/20.

Louisiana.

Cumberland Telephone & Telegraph Company, Inc.

Comparison of Wages and Board, 1914 with 1920.

(Country Crew.)

Toll line gang:	1914. Weekly rate.	1914. Amount.	1920. Weekly rate.	1920. Amount.	
1 Cn. Foreman.....	19.62	19.62	33.00	33.00	
1 " " Ck.	12.69	12.69	21.00	21.00	
1 Line "	16.15	16.15	23.00	23.00	
4 Linemen	8.08	32.32	21.00	84.00	
7 Groundmen	5.77	40.39	15.00	105.00	Increase.
		$121.17		$266.00	119%
Board 7 Men.....	10.50	73.50	15.00	105.00	
" 7 Laborers.....	7.00	49.00	10.50	73.50	
		$243.67		$444.50	82%

(Town or City Crew.)

Construction Crew—Geo. Selle:

1 Cn. Foreman.....	21.92	21.92	40.00	40.00	
1 Line "	18.00	18.00	32.00	32.00	
5 Linemen	16.20	81.00	27.00	135.00	
7 Groundmen	9.00	63.00	21.00	147.00	
2 Ca. Splicers.....	24.30	48.60	36.00	72.00	
2 Ca. " Helpers..	10.80	21.60	21.00	42.00	
2 Teamsters	12.00	24.00	24.00	48.00	Increase.
		$278.12 (Chauf.)		$516.00	85%

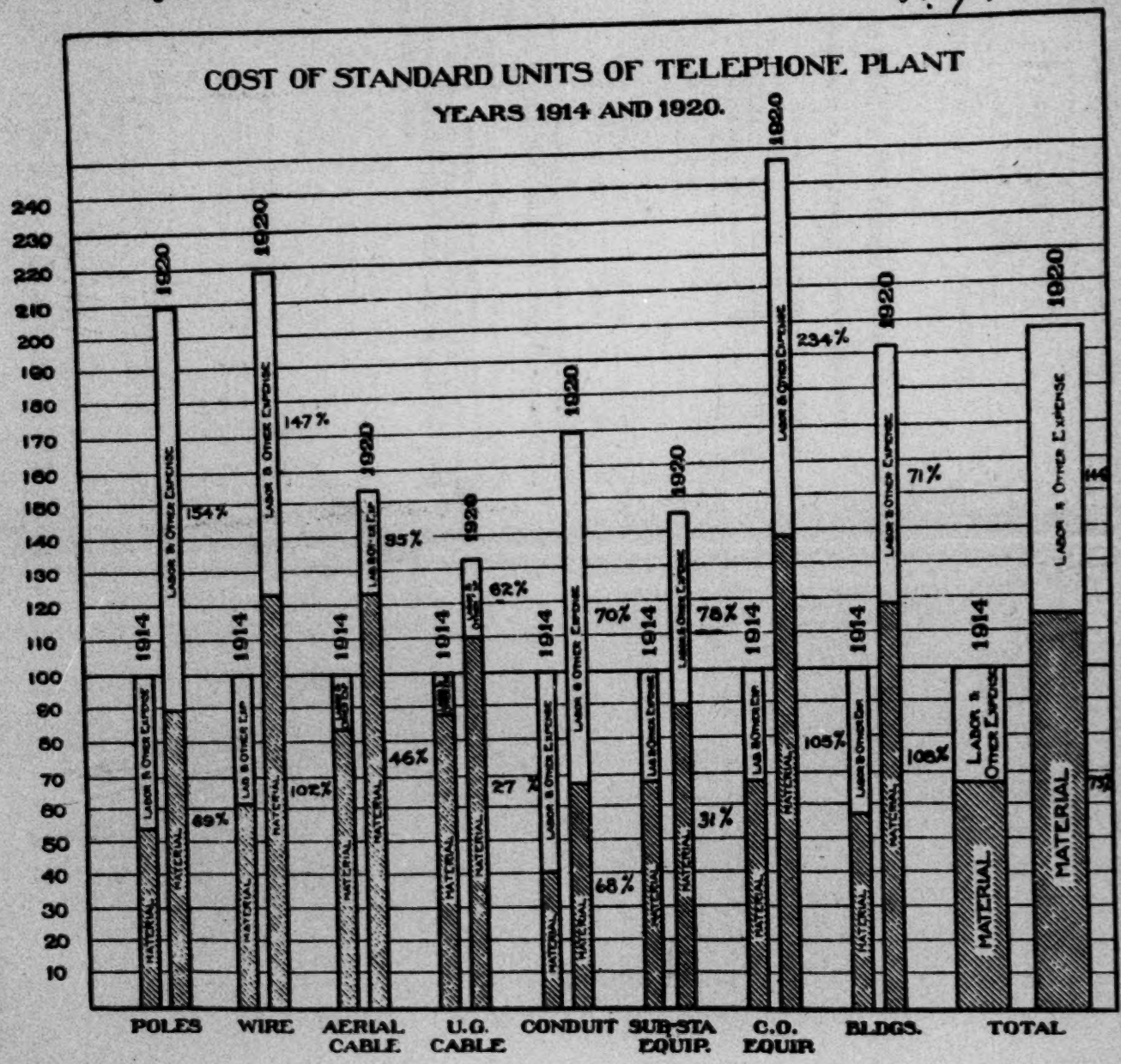
No Board Allowance.
No overtime (1914).
No Board Allowance.
Overtime Paid (1920).

(Here follows Yundt Exhibit 7, marked page 1114.)

Yundt Ex 6 & 7.

Exhibit "Yeandle #7" --- Filed June 23/22

Yeandle Ex No 7.
Filed 12/15/20
H. J.



1115 YUNDT EXHIBIT No. 8.

Filed June 23, 1922.

Yundt Exhibit 8. Filed 12/15/20. (Signed) H. J.

Louisiana.

Cumberland Telephone & Telegraph Company, Inc.

Average Investment in Louisiana per Owned Station.

Year.	Average investment.	Average stations.	Average per station.
1916	$8,464,521.00	50,505	$167.60
1917	9,157,866.00	53,129	172.37
1918	9,715,558.00	54,294	178.94
1919	10,535,292.00	58,433	180.30
Estimated:			
End of 1920	12,260,000.00	68,000	180.29
End of 1921	13,920,000.00	75,800	183.50

These figures show the effect upon investment of the increases in labor, materials and in all other items affecting investment that have occurred since 1915.

Future costs of materials are expected to be lower due to drop in prices of raw materials. Because of higher wage rates that will remain higher than they were prior to the war, higher freight rates, etc., it is believed that costs for plant additions will not fall below 150% of prewar average costs.

YUNDT EXHIBIT No. 9.

Filed June 23, 1922.

Yundt Exhibit 9. Filed 12/15/1920. (Signed) H. J.

Cumberland Telephone & Telegraph Company, Incorporated.

Analysis of Wages Paid per Month per Station.

	Traffic wages.		Plant wages.		All other's wages.		Total wages.	
	Amount.	Per Station.	Amount.	Per Station.	Amount.	Per Station.	Amount.	Per Station.
January, 1916	$98,699.42	$.507	$131,219.28	$.673	$61,306.88	$.316	$291,225.58	$1.496
July, 1916	99,987.08	.498	125,920.83	.628	64,430.04	.321	290,337.95	1.447
January, 1917	102,798.79	.495	121,008.08	.583	64,624.19	.312	288,431.06	1.390
July, 1917	125,292.86	.507	125,677.19	.599	67,363.51	.322	318,333.56	1.518
January, 1918	135,471.96	.640	117,067.46	.554	67,595.07	.320	320,134.49	1.514
July, 1918	169,298.59	.785	149,278.71	.692	71,985.54	.335	390,562.84	1.812
January, 1919	194,536.18	.906	160,228.74	.746	78,520.82	.366	433,285.74	2.018
June, 1919	217,327.78	.975	181,943.70	.816	91,011.82	.408	490,283.30	2.199
December, 1919	246,230.50	1.060	257,490.18	1.108	99,528.50	.428	603,249.18	2.596
July, 1920	311,537.15	1.266	289,269.18	1.175	114,250.97	.464	715,057.30	2.905

1117 YUNDT EXHIBIT No. 10.

Filed June 23, 1922.

Yundt Exhibit 10, Filed 12/15/20. (Signed) H. J.

Louisiana.

Cumberland Telephone & Telegraph Company, Inc.

Wages per Month for Permanent Plant Employees in the Exchanges of New Orleans, Shreveport, Alexandria, Baton Rouge, Lake Charles, and Monroe, Louisiana, September, 1914, *Compared with September* 1920.

These Exchanges Have 72% of the Stations in the State.

Year.	Stations.	Employees.	Wages paid.	Average per employees.	Average per station.
1914	30,166	142	$10,006	$70.46	.331
1920	48,354	238	28,027	117.76	.580
Increase ..	60%	67%	180%	67%	.75%

It will be noted that an increase of 60% in stations required an increase of 67% in number of regular plant employees.

The exchange service areas are larger and the work each year becomes more complex.

Increasing importance of the service, value of the plant and growing complexity of the service all contribute to the necessity for higher wage rate for plant men.

These employees fill those positions necessary to the proper maintenance and operation of the telephone plants in these exchanges. They are supplemented by varying numbers of other plant employees.

1118 YUNDT EXHIBIT No. 11.

Filed June 23, 1922.

Yundt Exhibit #11, Filed 12/15/1920. (Signed) H. J.

Louisiana.

Cumberland Tel. & Tel. Co., Inc.

Wages per Month per Station in Louisiana Actually paid in the Month of November, Years 1916 to 1920, Inclusive, for Traffic.

Year.	Total number traffic employees.	Total pay.	Average pay.	Stations.	Average per station.
1916	918	$30,117	$32.81	51,923	$.580
1917	1,114	38,412	34.48	53,704	.715
1918	1,309	64,179	49.03	54,571	1.176
1919	1,398	76,098	54.43	61,432	1.239
1920	1,541	96,610	59.45	67,938	1.348

The increase in wages per station in Louisiana November, 1920 over November, 1914 is 76.8 cents per station per month or at the rate of $9.22 per station per year.

(The cost is 2½ times what it was in 1916.)

Operators are now approximately on a sustaining wage basis; a condition that has not obtained until recently.

1119 YUNDT EXHIBIT No. 12.

Filed June 23, 1922.

Yundt Exhibit #12, Filed 12/15/16. Subject to Objections Made When Offered. (Signed) H. J.

Louisiana.

Cumberland Telephone & Telegraph Company, Inc.

Cost of Reproduction Present Condition of Property of the Cumberland Telephone & Telegraph Company in Louisiana.

On May 1, 1920, properties of the Cumberland Telephone & Telegraph Company in Kentucky were appraised by Mr. W. F. Sloan, a Consulting Engineer of Chicago, selected by the City of Louisville for that purpose.

A comparison of the Reproduction Cost found by Mr. Sloan and the Investment as shown by the books of the Company follows:

Reproduction cost new as found by Mr. W. F. Sloan.	Investment as shown by the books of the company.	
$9,184,614	$4,873,217	
Percent of Investment as shown by the books of the Company	188	100

Applying the cost units found by Sloan to the property of the Cumberland Company in Louisiana *in Louisiana,* which was:

Average Investment in Louisiana, excluding Working Capital for 12 months ending July 31, 1920..	$10,815,138.90
Reproduction Cost New—188% of this Investment.	20,332,461.13
Cost in Present Condition, 85% of Reproduction Cost new	17,282,591.96
Add Working Capital	403,894.90
Total	$17,686,486.86

1120 HOXSEY EXHIBIT No. 1.

Filed June 23, 1922.

Hoxsey Exhibit No. 1. Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Company, Incorporated.

Statement of Average Investment and Total Revenue and Expenses, State of Louisiana.

	1916.	1917.	1918.	1919.
Average Investment..	$8,464,821.61	9,157,865.63	9,715,557.72	10,535,291.02
Gross Revenue.....	2,721,650.60	3,021,458.52	3,174,096.13	3,871,325.27
Total Expenses.....	2,092,416.54	2,241,751.05	2,578,911.08	3,282,644.19
Net Revenue.....	629,234.06	779,707.47	595,185.05	588,681.08
Per cent of Net Earnings to average Investment	7.43	8.51	6.13	5.59

Twelve Months Ending July 31, 1920.

Average Investment.....	$11,219,033.80
Gross Revenue.....	4,325,413.58
Total Expenses.....	3,661,612.51
Net Revenue.....	663,801.07
Per cent of Net Earnings to Average Investment.....	5.92
Total Investment as of July 31, 1920.....	11,808,974.08

1121 HOXSEY EXHIBIT No. 2.

Filed June 23, 1922.

Hoxsey Exhibit No. 2, Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Co., Incorporated.

Year Ended July 31, 1920.

Average Investment	$42,187,285
Exchange Revenue	8,967,413
Toll "	4,832,887
Total Telephone Revenues	$13,900,300
Operation Expenses	$6,396,704
Maintenance	4,994,538
Taxes	815,799
Total Telephone Expenses	$12,207,041
Net Telephone Earnings	$1,693,259
Per cent per annum of Net Telephone Earnings to Average Investment	4.01

1122 HOXSEY EXHIBIT No. 3.

Filed June 23, 1922.

Hoxsey Exhibit No. 3 Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Company, Incorporated.

Result of Telephone Operations.

	January, 1920.	October, 1920.
Average Investment	$42,126,373	$45,461,718
Exchange Revenues	739,169	798,180
Toll "	430,212	446,647
Total Revenue	$1,169,381	$1,244,827
Operation Expenses	$536,063	$624,523
Maintenance "	412,752	441,332
Taxes	70,448	65,000
Total Expenses	$1,019,263	$1,130,855
Net Telephone Earnings	$150,118	$113,972
Annual Percentage Earnings to Investment	4.28	3.01

1123 HOXSEY EXHIBIT No. 4.

Filed June 23, 1922.

Hoxsey Exhibit No. 4 Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Company, Incorporated.

Percentage of Operating Expenses to Telephone Revenues.

Year.	Percentages.	Balance left of $1.00 for interest, dividends, and surplus.
1914	80.29	$.1971
1915	76.87	.2313
1916	76.92	.2308
1917	77.93	.2207
1918	83.95	.1605
1919	87.95	.1205
7 Months 1920	88.40	.1160
October 1920	90.84	.0916

1124

EXHIBIT, HOXSEY #5.

Filed June 23, 1922.

Proposed Rate Revision.

Cumberland Telephone & Telegraph Company, Incorporated.

Exchanges in State of Louisiana.

Filed with Railroad Commission of Louisiana.

1125

Proposed Rate Revisions.

Cumberland Telephone & Telegraph Company, Incorporated.

Exchanges in State of Louisiana.

1. Rates proposed for the following 13 Exchanges: Athens, Bienville, Cheneyville, Denham Springs, Ferriday, Gueydon, Independence, Marthaville, Merryville, Newellton, Pollock, Waterproof, Zwolle:

	Individual line flat rate.	2 party line flat rate.	5 party country line flat rate.	Extension.
Business	$3.25	$2.75	$2.25	$1.50
Residence	2.00	1.50	1.25	1.25
Increase per day:				
Business	1-7/10 cents.	1-7/10 cents.	8/10 of 1 cent.	1-7/10 cents.
Residence	1-2/10 cents.	3/10 of 1 cent.	0	8/10 of 1 cent.

2. Rates proposed for the following 56 Exchanges: Amite, Arcadia, Bastrop, Bernice, Boyce, Bunkie, Colfax, Columbia, Clinton, Coushatta, Delhi, Eunice, Farmersville, Franklinton, Gibbsland, Grand Cane, Haynesville, Homer, Jackson, Jeanerette, Jonesboro, Kentwood, Lake Providence, Leesville, Lockport, Logansport, Lecompte, Lake Arthur, Lutcher, Madisonville, Mandeville, Many, Marksville, Mellville, Mer Rouge, Mooringsport, Napoleonville, New Roads, Oakdale, Patterson, Ponchatoula, Rayne, Rayville, Robeline, St. Francisville, St. Martinville, Slidell, Sulphur, St. Joseph, Tallulah, Vidalia, Vinton, Whitecastle, Winnfield, Winnsboro, Wilson.

	Individual line flat rate.	2 party line flat rate.	5 party country line flat rate.	Extensions.
Business	$3.60	$3.00	$2.40	$1.50
Residence	2.40	1.80	1.50	1.25
Increase per day:				
Business	2 cents.	1-7/10 cents.	1-3/10 cents.	1-7/10 cents.
Residence	1-3/10 cents.	1 cent.	8/10 of 1 cent.	8/10 of 1 cent.

3. Rates proposed for the following 17 Exchanges: Abbeville, Berwick, Covington, De Ridder, Donaldsonville, Franklin, Hammond, Houma, Jennings, Mansfield, Minden, Morgan City, Natchitoches, Opelousas, Plaquemine, Ruston, Thibodaux.

	Individual line flat rate.	2 party line flat rate.	5 party country line flat rate.	Extensions.
Business	$4.05	$3.45	$2.80	$1.50
Residence	2.50	2.20	1.55	1.25
Increase per day:				
Business	2-7/10 cents.	2-3/10 cents.	1-8/10 cents.	1-7/10 cents.
Residence	1-7/10 cents.	1-5/10 cents.	1 cent.	8/10 of 1 cent.

Proposed Rate Revisions.—Continued.

4. Rates proposed for following 4 Exchanges: Bogalusa, Crowley, La Fayette, New Iberia.

	Individual line flat rate.	Individual line inward.	2 party line flat rate.	5 p'ty country line flat rate.	Extensions.
Business	$4.35	$2.50	$3.75	$3.10	$1.50
Residence	2.50	.....	2.20	1.55	1.25
Increase per day:					
Business	2-8/10 cents.	New Service.	2-5/10 cents.	2 cents.	1-7/10 cents.
Residence	1-7/10 cents.	.....	1-5/10 cents.	1 cent.	8/10 of 1 cent.

1126 5. Rates proposed for following 2 Exchanges: Lake Charles, Monroe.

	Individual line flat rate.	Individual line inward.	2 party line flat rate.	5 p'ty country line flat rate.	Extensions.
Business	$5.60	$3.00	$5.00	$3.75	$1.50
Residence	2.80	.....	2.20	1.85	1.25
Increase per day:					
Business	3-7/10 cents.	New Service.	3-3/10 cents.	2-5/10 cents.	1-7/10 cents.
Residence	1-8/10 cents.	.....	1-5/10 cents.	1-2/10 cents.	8/10 of 1 cent.

6. Rates proposed for following 2 Exchanges: Alexandria, Baton Rouge.

	Individual line flat rate.	Individual line inward.	2 party line flat rate.	5 p'ty country line flat rate.	Extensions.
Business	$5.60	$3.00	$5.00	$3.75	$1.50
Residence	3.00	.....	2.50	1.85	1.25
Increase per day:					
Business	3-7/10 cents.	New Service.	3-3/10 cents.	2-5/10 cents.	1-7/10 cents.
Residence	1-7/10 cents.	.....	1-7/10 cents.	1-2/10 cents.	8/10 of 1 cent.

7. Rates proposed for follow- 1 Exchange: Shreveport.

	Indiv. line flat rate.	Indiv. line inward.	Indiv. line message rate.	2 party line flat rate.	5 p'y count'y line flat rate.	Extensions. F. R.	Extensions. M. R.
Business	$6.25	$3.50	$4.00*	.....	$4.00	$1.50	$1.00
Residence	3.00	.....	.....	$2.50	2.00	1.25	.....
Increase per day:							
Business	4-2/10 cents.	New Service.	New Service.	.....	3-3/10 cents.	1-7/10 cents.	0
Residence	3-3/10 cents.	.....	.....	3-3/10 cents.	0	8/10 of 1 cent.	.....

* Allowance of 80 local messages per month; additional messages 3c each.

Proposed Rate Revisions.—Continued.

8. Rates proposed for following 1 Exchange: New Orleans.

Flat Rates.

	Individual line.	Indiv. inward line.	2 party line.	Extensions.
Business	10.50*	5.50*	....	2.00*
Residence	5.50*	....	4.50*	1.75*
Increase per day:				
Business	6-7/10 cents.	3-3/10 cents.	....	1-7/10 cents.
Residence	3-3/10 cents.	....	3-3/10 cents.	8/10 of 1 cent.

Message Rates.

	Individual line.	Message allowance.	Additional messages.	Extensions.
Business	$4.50*	50	First 50—4c. All others—3c.	$1.50*
Business	6.50*	100	3c	1.50*
Residence	4.00*	70	3c	1.50*

Coin Box Rates.

	Guarantee per day.	Messages per day.	Additional messages.
Residence 2-party Line	10c	2	3c

Semi-public Pay Station Rates.

	Guarantee per day.	Messages per day.	Additional messages.
Business Individual Line	20c	4	3c

NOTE.—All rates indicated by (*) are gross rates and are subject to a discount of 50c when bills are paid on or before the 10th day of the month.

1127 9. All Exchanges.—Rates proposed for stations located outside the Exchange Base Rate Areas: The following mileage charges to apply in connection with stations located outside the exchange base rate area, and are in addition to the base rate proposed for the class of service furnished:

Individual Line servie, per ½ mile or fraction thereof, pole line measurement .....50c per month.

Five (5) party County Line service, per ½ mile or fraction thereof, pole line measurement:

Within 5 miles of base rate area .....20c per month.
Beyond 5 miles of base rate area .....30c per month.

10. Rates proposed for Private Branch Exchange Service:

1. There are five different classes of private branch exchange systems:

Class A System or Cordless Switchboard Manual Systems.
Class B Systems or Cord Non-Multiple Switchboard Manual Systems.
Class C Systems or Cord Multiple Switchboard Manual Systems.
Class D Systems or Key Switching Equipment Systems.
Class E Systems or Combination Manual and Mechanical Systems.

2. The proposed rates herein set forth for private branch exchange service contemplate the use of standard equipment. When equipment of a special type is desired, the determination of the rates to apply is based upon the individual requirements of each case.

3. All operation at the subscriber's premises is performed at the expense of the subscriber.

4. For charges for miscellaneous equipment furnished in connection with private branch exchange systems, the Company's established rates for miscellaneous equipment will apply.

5. In connection with Class A and Class B Systems, the charges given herein for battery power and ringing circuit apply only when such systems are located inside the base rate area. Battery power for Class A or Class B Systems installed outside the base rate area is furnished only by special agreement. For ringing circuit for Class A or Class B Systems installed outside the base rate area, regular extra exchange line mileage charges apply in addition to the monthly charge given herein.

6. The rates specified herein apply for systems located inside the base rate area and for stations located within the same building as the switchboard or master station. When applicable, mileage charges are made in addition to the rates quoted herein for trunk lines and stations.

7. Flat rate private branch exchange service is available for commercial service, except for service at hotels and apartment house. Message rate private branch exchange service is available for commercial service and for hotel and apartment house service.

Class A Systems.

	New Orleans exchange.		All other exchanges.	
	Flat rate.	Message rate.	Flat rate.	Message rate.
Switchboard	$2.75*	$2.75*	$2.25	$2.25
Battery Power	1.50	1.50	1.50	1.50
Ringing Current	1.50	1.50	1.50	1.50
Stations, inside	1.75*	1.50*	1.25	1.00
Trunks:				
Commercial, F. R. 2 way	15.50*		1½ Indiv. Line Bus. Flat Rate.	
Commercial, F. R. 1 way	8.00*		¾ Indiv. Line Bus. Flat Rate.	
Commercial, M. R. 2 way	6.50*—100—3c.		Indiv. Line Bus. Msg. Rate.	

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Class B Systems.

	New Orleans exchange.		All other exchanges.	
Switchboard, per pos. (non-mul.):	Flat rate.	Message rate.	Flat rate.	Message rate.
10 lines or less in use	$3.50*	$3.50*	$3.00	$3.00
11 to 30 lines in use	5.00*	5.00*	4.50	4.50
31 to 60 lines in use	6.50*	6.50*	6.00	6.00
61 to 100 lines in use	8.00*	8.00*	7.50	7.50
101 to 150 lines in use	9.50*	9.50*	9.00	9.00
151 to 200 lines in use	11.00*	11.00*	10.50	10.50
201 to 260 lines in use	12.50*	12.50*	12.00	12.00
261 to 320 lines in use	14.00*	14.00*	13.50	13.50
Battery Power:				
Systems of 10 stations or less	1.50	1.50	1.50	1.50
Systems of 11 to 30 stations	2.50	2.50	2.50	2.50
Systems of 31 to 60 stations	4.00	4.00	4.00	4.00
Systems of over 60 stations	5.00	5.00	5.00	5.00
Ringing Current	1.50	1.50	1.50	1.50
Stations, inside:				
Commercial	1.75*	1.50*	1.25	1.00
Hotel and Apartment	....	.50	....	.75
Trunks:				
Commercial F. R. 2-way	15.50*		1½ Indiv. Line Bus. Flat Rate.	
1-way	8.00*		¾ Indiv. Line Bus. Flat Rate.	
Commercial M. R. 2-way	6.50*—100—3c.		Indiv. Line Bus. Msg. Rate.	
Hotel and Apartment M. R.	4c. per message.		See Note (b).	

Class C Systems.

Private branch exchange systems of the Class C type are systems requiring special apparatus to meet the special requirements of the applicant. These apparatus requirements vary materially as to individual applicants and it is not practicable to establish rates to meet these varying requirements. For such systems, therefore, rates covering switchboards and associated apparatus will be quoted only when the apparatus requirements in individual cases have been determined.

Class D Systems.

	New Orleans exchange.		All other exchanges.	
Key Switching Equipment:	Flat rate.	Message rate.	Flat rate.	Message rate.
For Master Station.....	$1.00	$1.00	$1.00	$1.00
For Additional Stations, each	.50	.50	.50	.50
Stations, inside.....	1.75*	1.50.	1.25	1.00
Local Battery.....	1.50	1.50	1.50	1.50
Trunks:				
Commercial F. R. 2-way.	15.50*		1½ Indiv. Line Bus. Flat Rate.	
1-way.	8.00*		¾ Indiv. Line Bus. Flat Rate.	
Commercial M. R. 2-way.	6.50*—100—3c.		Indiv. Line Bus. Msg. Rate.	

The maximum equipment furnished for systems of the Class D type is that for 10 lines. Under present practice subscribers are required to bear the cost of cabling in excess of 50 feet for any station, including cost of labor and material and are required to bear the total cost of cabling necessary to connect stations located outside the building in which the master station is installed.

Under proposed rates the subscriber will be required to bear the cost of cabling in excess of 30 feet for any station, including the cost of labor and material and will continue to be required to bear the total cost of cabling necessary to connect outside stations.

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Class E Systems.

Private branch exchange systems of the Class E type are systems requiring special apparatus to meet the special requirements of the applicant. These apparatus requirements vary materially as to individual applicants and it is not practicable to establish rates to meet these varying requirements. For such systems, therefore, rates covering switchboards and associated apparatus will be quoted only when the apparatus requirements in individual cases have been determined.

Notes.

(*a*) Commercial Message Rate Trunks:

In the foregoing schedules the trunk rates quoted for commercial message rate service are the rates and message allowances covering the first trunk. Additional trunks will be furnished at one-half the rate charge for the first trunk but with no allowance in messages. The rate for each message is 3c.

(*b*) Hotel Message Rate Trunks:

Except in New Orleans trunks for Hotel Message Rate service take the same rate and message allowance as are quoted for Commercial Message Rate trunks—i. e., the rate for business individual line message rate service. In exchanges not quoting individual line message rates, the following rates apply for Hotel P. B. X. trunks—minimum of two trunks:

First Trunk—2 way only—with 100 messages	$4.00
Additional Trunks, each, without message allowance	2.00
Additional messages, each	3c.

(*c*) Hotel PBX Stations:

New Orleans.—Under the rate of 50c. quoted for stations connected with Hotel PBX Systems, the Hotel installs and maintains the inside wiring. Where the Company installs and maintains the inside wiring, the rate for each station is 75c. per month.

All Other Exchanges.—Under the rate of 75c. quoted for stations connected with Hotel PBX Systems, the Company installs and maintains the inside wiring. Where the Hotel installs and maintains the inside wiring, the rate for each station is 50c. per month.

Station Mileage:

The rates quoted herein for stations connected with PBX systems of the various classes are applicable to stations located in the same building containing the switchboard. A mileage charge of 63c. per month per quarter mile or fraction thereof is made (except Class D systems) where the station is not located in the same building in which the switchboard is located.

Discounts:

All rates herein quoted for New Orleans PBX service and indicated by * are gross rates and are subject to a discount of 50c. when bills are paid on or before the 10th day of the month.

11. Rates proposed for Farmers' Line- and Farmers' Exchange Service.

STATEMENT OF INVESTMENT, REVENUES

LOUISIANA	INVESTMENT								REVENUE				
EXCHANGE	Average Exchange Lines and Equipment	Average Toll Lines and Equipment	Average Real Estate Land	Average Real Estate Buildings	Average Furniture and Fixtures	Average Trucks, Tractor Vehicles, Etc.	Average Working Capital	Total Average Investment	Exchange Revenue	Toll Revenue	Miscellaneous Revenue	Total Gross Revenue	
Athens	5,465.88	4,818.15			37.86		407.72	10,388.75	1,344.35	2,096.85	15.27	3,413.47	
Bienville	5,097.34	2,248.27			27.90		301.22	7,671.73	1,008.80	1,188.02	8.84	2,202.38	
Cherryville	8,317.47	4,622.13			52.61	6.71	530.82	13,529.94	788.45	2,077.02	2.30	2,929.37	
Bethan Springs	3,242.89	2,472.58			51.85		234.44	6,000.96	761.75	1,325.04	6.97	2,093.00	
Ferriday	6,108.76	8,672.00			55.00	136.51	606.35	15,578.62	755.20	4,647.81	62.02	5,340.59	
Gueydon	4,377.72	7,886.35			47.50		511.30	13,022.87	1,481.49	4,185.40	9.68	5,678.29	
Independence	5,776.58	3,002.99			18.78		360.18	9,158.53	598.36	1,609.48	44.39	2,252.44	
Northwille	2,530.84	3,284.15			71.68		241.00	6,187.67	408.35	1,759.13	39.05	2,126.45	
Norryville	6,076.30	4,382.85			13.18		489.85	10,901.38	1,469.10	2,368.67	77.19	3,900.38	
Newellton	4,800.78	6,470.59			89.99		468.36	11,825.32	1,182.00	3,467.82	30.60	4,680.82	
Pollock	3,400.03	5,533.40			79.85		366.48	9,379.73	485.48	2,965.67	30.92	3,481.81	
Waterproof	8,394.67	7,096.72			40.55		635.47	16,167.01	1,216.71	3,805.28	.09	5,019.90	
Zwolle	4,996.48	4,101.52			93.84	4.04	372.17	9,519.05	1,989.15	2,197.12	1.73	4,184.54	

1. Farmers' Lines.

(*a*) Service Rate:

Under Present Practice the rate covering Farmers' Line service is based as follows:

Each Farmer's Line takes the Individual Line Business rate of the exchange with which connected, the minimum line guarantee being $3.00 with right to connect 6 stations; each station connected, in excess of 6 stations takes a rate equal to 1/6 of the guarantee. Therefore:

At Exchanges whose Business Individual Line rate is—

$3.00 or less,	Farmer's Line	guarantee	$3.00;	each	station	in	excess	of	6, 50c.
$3.25	"	"	"	$3.25;	"	"	"	"	" 6, 54c.
$3.50	"	"	"	$3.50;	"	"	"	"	" 6, 58c.
$4.00	"	"	"	$4.00;	"	"	"	"	" 6, 67c.
$4.50	"	"	"	$4.50;	"	"	"	"	" 6, 75c.

1130 Under Proposed Practice the minimum line guarantee is to be $4.50. Thus:

At Exchanges where Business Individual line rate is—

$4.50 or less, Farmer's Line guarantee $4.50; each station in excess of 6, 75c.

The resultant increase would be:

At Exchanges	of	the	$3.00	or	less	rate	class,	increase	25c.	per station
"	"	"	$3.25	rate	class,	increase		21c.	"	"
"	"	"	$3.50	"	"	"		17c.	"	"
"	"	"	$4.00	"	"	"		8c.	"	"
"	"	"	$4.50	"	"	"		none		

(*b*) Mileage Charges:

Under present practice the Telephone Company provides the pole line and circuits from the Central Office to an agreed upon junction point at the boundary of the base rate area or the corporate limits in case the corporate limits extend beyond the base rate area. Pole lines and circuits beyond the limits specified above are furnished, owned and maintained by the subscribers, except that if facilities are available, circuits may be leased from the Telephone Company at $2.50 per annum per quarter mile or fraction thereof.

No change is proposed in the practices regarding the furnishing and ownership of facilities, but it is proposed that where circuits are leased from the Telephone Company the rate shall be $5.00 per annum per quarter mile or fraction thereof.

2. Farmers' Exchanges.

(*a*) Service Rate:

Under present practice the rate covering Farmers Exchange service is based as follows:

Each Farmers Exchange trunk line takes a rate equal to double the Individual Line Business rate of the exchange with which connected, the minimum trunk rate being $6.00 per month. Therefore:

At Exchanges where the Business Individual Line Rate is:

$3.00 or less,	Farmer's	Exchange	Trunk	Rate	is $6.00
$3.25	"	"	"	"	6.50
$3.50	"	"	"	"	7.00
$4.00	"	"	"	"	8.00
$4.50	"	"	"	"	9.00

Under proposed practice the minimum trunk guarantee is to be $9.00. Thus:

At Exchanges where the Business Individual Line Rate is $4.50 or less the Farmer's Exchange Trunk Rate will be $9.00.

The resultant increases will be:

At Exchanges of			$3.00	or	less	rate	class,	increase	$3.00	per	trunk.
"	"	"	3.25	"	"	"	"	"	2.50	"	"
"	"	"	3.50	"	"	"	"	"	2.00	"	"
"	"	"	4.00	"	"	"	"	"	1.00	"	"
"	"	"	4.50	"	"	"	"	"	None		

(*b*) Mileage Charges:

Under present practice the Telephone Company provides the pole line and circuits from the Central Office to an agreed upon junction point at the boundary of the base rate area or the corporate limits in case the corporate limits extend beyond the base area. Pole lines and circuits beyond the limits specified above are furnished, owned and maintained by the subscribers, except that if facilities are available, circuits may be leased from the Telephone Company at $2.50 per annum per quarter mile or fraction thereof.

No change is proposed in the practices regarding the furnishing and ownership of facilities, but it is proposed that where circuits are leased from the Telephone Company the rate shall be $5.00 per annum per quarter mile or fraction thereof.

Filed June 23, 1922.

Hoxsey Exhibit No. 6. Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Company, Incorporated.

NOTE.—These figures pertain to the Company as a whole.

Statement Showing the Increase of Present and Prospective Cost Levels Over the Average for the Year Ending July 31, 1920.

Average Number of Stations Year ending July 31, 1920..... 235,605

	Actual expenses per station per month.				Est. expenses per station per month, 1921, without allowance for wage increases after July, 1920, or for increase in income tax.	Increase of 1921 expenses over year ending July 31, 1920, without wage or income tax increases.
	Year ending July 31, 1920.	Ten months ending Oct. 31, 1920.	July, 1920.	Oct., 1920.		
Operation Expense.....	$2.263	$2.359	$2.485	$2.498	$2.354	$0.091
Current Maintenance.....	.929	.932	.903	.918	.900	[.029]*
Depreciation	.837	.840	.839	.848	.868	.031
Taxes	.287	.297	.319	.260	.303	.016
Total	$4.316	$4.428	$4.546	$4.524	$4.425	$0.109

Increased Revenue per Station per Month necessary to make same net as in year ending July 31, 1920, if expenses in that year had been on the 1921 basis without including in the latter any wage increases after July 31, 1920..... $0.109

NOTE.—This contemplates economizing below the October level in items other than Taxes of $446,000 a year.

Percentage of Increased Expense per Station to Expense per Station, year ending July 31, 1920, $2.5255%.

[*Red in copy.]

1132 HOXSEY EXHIBIT No. 7.

Filed June 23, 1922.

Hoxsey Exhibit 7. Filed 12/15/20. (Signed) H. J.

State of Louisiana.

Statement Applying Increase in Cost Levels to Louisiana.

Total Expenses for year ending July 31, 1920.....	$3,661,613
Average Number of Stations year ending July 31, 1920..	62,273
Percentage Method Basis of determining amount of Increased Revenue necessary to meet present expense level—Apply percentage of increase shown on Exhibit 6 for Company as a whole to Louisiana expenses:	
$3,661,613 x .025255=.....	$92,474
Per Station Method of determining amount of Increased Revenue necessary to meet present expense level—Apply increase per station per month shown on Exhibit 6 for Company as a whole to Average Number Stations in Louisiana:	
62,273 x $0.109 x 12.....	81,453
	2/$173,927
Average of above methods used in Exhibit 13.....	$86,964

1133 HOXSEY EXHIBIT No. "8."

Filed June 23, 1922.

Hoxsey Exhibit "8." Filed 12/15/20. (Signed) H. J.

Louisiana Wage Increase Forecast.

Forces of 6-30-20.

Wage Rates of 6-30-20—Estimated for 1921.

Traffic:	No. persons.		Monthly.	Annual.
Force	1,540		79,951	959,412
Shortage	80		4,727	56,724
		Estd.		
		(Av. 52.26)	84,678	1,016,136
Estd. Increase.....	.....	10.8%	9,172	110,064
		(Av. 57.85)	93,850	1,126,200
Commercial:				
Force	260	(Av. 99.61)	25,900	310,800
Estd. Increase.....	.....	12.9%	3,341	40,092
		(Av. 112.50)	29,241	350,892

	No. persons.		Monthly.	Annual.
Plant and Div. Eng.:				
Force	524	(Av. 110.50)	57,954	695,448
Estd. Increase	.....	14.4%	8,368	100,412
		(Av. 126.60)	66,322	795,860
Incr. Chgd. Const.	....	.....	2,666	31,980
Incr. Chgd. Exp.	.....	.....	5,702	68,432
			8,368	100,412
Gen. Off. Excl. Eng.:				
Force	28	(Av. 139.10)	3,869	46,428
Estd. Increase	.....	10.2%	380	4,566
		(Av. 153.00)	4,249	50,994
Gen. Eng.:				
Force	10	(Av. 150.20)	1,502	18,024
Estd. Increase	.....	12.6%	189	2,267
		(Av. 169.00)	1,691	20,291
Incr. Chgd. Const.	.....	.....	126	1,511
Incr. Chgd. Exp.	.....	.....	63	756
			189	2,267

Summary.

	No. per.	Pres. pay (annual).	Prop. add. (annual).	% inc.	Exp.	Const.
Traffic	1,620	1,016,136	110,064	10.8	110,064	.....
Com'l	260	310,800	40,092	12.9	40,092	.....
P. & D. Eng.	524	695,448	100,412	14.4	68,432	31,980
Gen. Off.	28	46,428	4,566	10.2	4,566	.....
Gen. Eng.	10	18,024	2,267	12.6	756	1,511
	2,442	2,086,836	257,401	12.3	223,910	33,491
Avg. per person		$854.56	$105.41			

1134 HOXSEY EXHIBIT 8 (a).

Filed June 22, 1922.

Hoxsey Exhibit 8 (a).

Louisiana Wage Increase Forecast.

Forces as of 12-31-20.

Wage Rates 12-31-20—Estimated for 1921.

	No. per.		Monthly.	Annual.
Traffic:				
Force	1,540	(Av. $58.25)	$89,698	$1,076,376
Estd. Incr.	.....	6%	5,382	64,583
			$95,080	$1,140,959
Commercial:				
Force	266	(Av. $105.54)	28,073	336,876
Estd. Incr.	.....	7%	1,965	23,581
			30,038	360,457
Plant and Divn. Eng.:				
Force	595	(Av. $108.)	$64,276	$771,312
Estd. Incr.	.....	8%	5,142	61,704
			$69,418	$833,016
Increase Chd. to Const.	.....	.....	$1,619	$19,428
Increase Chgd. to Exp..	.....	.....	3,523	42,276
			$5,142	$61,704
Genl. Office Excl. Eng.:				
Force	29	(Av. $164.)	$4,756	$57,072
Estd. Incr.	.....	10%	476	5,712
			$5,232	$62,784
Genl. Eng.:				
Force	10	(Av. $149.25)	$1,492	$17,904
Estd. Incr.	.....	10%	149	1,788
			$1,641	$19,692

Average Exchange Lines and Equipment

Average Toll Lines and Equipment

Average Real Estate - Land

Average Real Estate - Buildings

Average Furniture & Fixtures

Average Tools, Teams, Vehicles, etc.

Average Working Capital

TOTAL AVERAGE INVESTMENT

Exchange Revenue

Toll Revenue

Miscellaneous Revenue

TOTAL GROSS REVENUE

General and Miscellaneous

Commercial

Traffic

Current Repairs

Station Removals and Changes

Depreciation

Rights, Privileges and Use of Property

Insurance

Taxes

TOTAL EXPENSES

NET REVENUE

Percent per Annum of Net Revenue to Investment

31, 1920.

$7,013,041.09	
2,832,770.88	
180,759.02	
642,021.40	
43,052.33	
103,494.18	
403,894.90	
	$11,219,033.80
$ 2,741,386.50	
1,517,992.29	
66,034.79	
	$ 4,325,413.58
$ 135,140.96	
499,480.44	
1,070,077.68	
670,781.13	
66,279.51	
651,019.32	
235,301.17	
14,672.81	
318,859.49	
	$ 3,661,612.51
	$ 663,801.07
	5.92%

AND EXPENSES FOR THE YEAR ENDED JULY 31, 1920.

No 9 Page 2

EXPENSES										NET		
General and Miscellaneous	Commercial	Traffic	Current Repairs	Station Renewals and Charges	Depreciation	Rights, Privileges and Use of Property	Insurance	Taxes	Total Expense	Net Revenue	% per Annum of Net Revenue of Investment	EXCHANGE
98.83	227.35	1,816.48	646.81	15.08	609.49	245.18	1.36	285.79	3,139.37	336.89	3.84	Athens
95.77	208.08	1,337.68	435.16	.99	478.19	195.47	1.16	222.33	2,739.16	536.78	7.26	Blairsville
132.28	418.98	1,889.48	533.21	2.10	814.37	268.88	2.09	220.18	3,398.67	405.30	3.00	Champyville
85.88	226.48	1,084.69	572.69	14.38	353.32	236.28	18.36	197.68	2,789.50	649.50	10.82	Durham Springs
123.46	615.40	1,257.65	874.37	81.21	854.69	426.76	1.68	338.74	4,574.22	766.38	4.58	Forriday
114.63	374.18	1,069.37	872.76	108.13	710.12	429.68	1.31	487.68	4,168.95	1,308.34	11.38	Grayson
108.10	306.90	1,179.39	274.63	22.92	553.96	302.35	1.44	56.58	2,801.09	645.58	7.05	Independence
49.58	460.60	954.74	570.69	7.17	348.95	256.86	.74	94.32	2,722.59	594.14	9.60	Marthaville
91.73	330.06	974.56	758.67	32.20	641.53	360.17	13.96	404.92	3,600.32	139.86	1.28	Merryville
69.53	440.94	1,141.08	674.75	24.69	661.16	379.36	1.85	285.53	3,676.25	974.57	5.24	Mevellton
52.23	621.92	997.52	721.44	18.77	516.19	292.43	24.82	249.18	3,498.25	138.58	1.69	Pollock
134.37	405.48	1,251.24	904.89	4.80	559.21	364.88	2.04	294.30	4,332.41	681.49	4.25	Waterproof
112.55	746.25	979.14	1,060.08	28.69	556.13	311.54	25.49	232.00	3,994.98	189.84	1.99	Zwolle

STATEMENT OF INVESTMENT, REVENUES

LOUISIANA	INVESTMENT								REVENUE			
EXCHANGE	Average Exchange Lines and Equipment	Average Toll Lines and Equipment	Average Real Estate Land	Average Real Estate Buildings	Average Furniture and Fixtures	Average Tools, Teams Vehicles, Etc.	Average Working Capital	Total Average Investment	Exchange Revenue	Toll Revenue	Miscellaneous Revenue	Total Gross Revenue
Bernice	6,368.27	4,620.14			36.06	30.17	450.74	11,505.38	2,158.00	2,476.04	9.79	4,643.83
Columbia	7,506.06	11,471.60			82.81	69.21	778.52	19,908.20	2,769.06	6,147.61	85.25	9,001.90
Clinton	8,841.15	3,641.68			67.14	62.81	512.04	13,124.22	2,469.35	1,951.19	32.06	4,452.60
Delhi	8,820.72	8,369.20			47.73	23.13	702.07	17,864.47	2,441.65	4,431.61	63.26	6,936.52
Farmerville	5,865.28	4,446.66			59.85	23.15	425.02	10,867.96	2,197.47	2,388.74	32.90	4,623.71
Gibsland	11,264.06	6,301.10			55.77	329.13	720.55	18,668.61	2,480.45	3,376.05	18.70	5,875.20
Grand Cane	7,984.15	4,221.34			82.00	4.22	500.71	12,792.42	1,825.05	2,268.48	11.10	4,166.63
Haynesville	9,367.38	3,986.25			53.38	23.92	544.94	13,905.87	2,267.45	2,098.29	20.17	4,385.91
Jackson	7,345.87	4,255.89			70.00	21.14	475.12	12,148.02	1,922.36	2,162.38	9.11	4,094.45
Jonesboro	5,800.15	3,643.07			38.49	25.06	387.37	9,898.18	1,355.40	1,882.51	6.49	3,294.40
Logansport	5,425.68	6,135.34	25.08	125.00	81.69	38.25	475.00	12,324.14	2,151.21	3,298.76	98.23	8,118.20
Mellville	7,027.46	12,251.32			47.15	135.03	730.04	20,251.00	1,328.08	6,554.85	6.48	8,089.38
Madisonville	5,794.87	6,269.20			25.00		494.89	12,588.96	1,435.75	3,360.08	73.44	5,069.22
Mandeville	6,316.91	5,822.54			27.52		498.00	12,664.97	1,362.41	3,120.53	23.32	4,459.62
Mer Rouge	8,796.96	5,118.45			37.14		570.86	14,523.61	2,256.35	2,743.16	16.51	4,996.02
Pensbatonia	8,400.48	6,382.85			40.54		606.43	15,430.30	1,704.54	3,420.96	16.34	5,141.84
Rebeline	2,113.39	3,190.19			116.09	48.10	240.33	8,288.98	1,289.85	2,009.79	14.49	3,294.13
Sulphur	5,087.40	8,350.35			55.80	2.53	559.46	14,254.94	2,053.82	4,581.77	8.33	6,648.92
Vidalia	9,788.84	9,381.86			62.11		786.43	20,019.24	1,691.63	5,027.26	2.10	6,716.81
Vilsco	10,283.39	4,052.76				573.99	587.27	15,477.41	2,189.21	2,159.39	26.57	4,375.13
Zwolle	13,918.38	9,980.07			48.50	166.45	980.38	25,093.78	3,673.06	5,348.66	7.32	9,014.40
Arcadia	17,367.39	10,705.89			119.16	70.94	1,359.85	29,623.43	4,880.80	5,736.97	79.44	10,667.21

AND EXPENSES FOR THE YEAR_____

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EXPENSES										NET		LOUISIANA
General and Miscellaneous	Commercial	Traffic	Current Repairs	Station Renewals and Charges	Depreciation	Rights, Privileges and Use of Property	Insurance	Taxes	Total Expense	Net Revenue	% per Annum of Net Revenue of Investment	EXCHANGE
97.81	434.16	1,240.05	900.85	21.02	673.87	338.88	1.34	244.89	3,955.05	688.78	5.99	Bernice
194.21	1,518.10	1,486.00	1,545.69	25.20	1,093.86	626.09	2.13	577.85	7,069.13	1,582.77	9.71	Columbia
173.29	443.51	1,411.22	1,116.35	22.82	805.13	297.00	2.16	355.32	4,627.00	174.40	1.33	Clinton
157.92	797.66	1,418.42	954.32	14.22	1,026.96	480.79	2.30	419.96	5,272.53	1,663.99	9.31	Delhi
91.76	980.48	1,345.15	200.11	9.85	634.49	333.63	1.41	271.74	3,828.56	785.15	7.22	Farmersville
259.45	928.70	1,924.02	988.21	1.69	1,103.48	435.44	16.33	490.85	6,126.13	250.59	1.34	Gibbsland
126.74	504.11	1,262.98	471.38	2.76	774.62	297.45	1.87	243.81	3,685.72	480.91	3.77	Grand Cane
149.98	815.12	1,477.87	1,334.18	62.27	854.10	394.10	2.16	360.89	5,450.62	64.71	.47	Haynesville
133.18	428.52	1,136.43	890.28	82.25	733.63	299.75	1.90	256.30	3,962.22	152.20	1. 25	Jackson
103.02	398.67	1,140.86	286.80	20.08	588.66	351.43	1.37	252.41	3,149.33	145.07	1.47	Jonesboro
91.13	139.56	1,276.59	1,075.45	22.91	691.96	319.06	12.68	355.32	4,584.86	1,543.40	12.32	Logansport
135.80	1,382.00	1,611.13	1,457.99	92.43	1,093.57	678.05	2.01	400.63	7,233.66	853.72	4.25	Mellville
84.68	554.57	1,305.59	598.35	148.39	714.72	373.82	12.98	363.04	4,049.11	1,080.11	8.11	Madisonville
95.74	381.36	1,360.68	589.51	56.13	729.96	389.11	1.60	474.74	4,078.80	580.82	4.39	Mandeville
134.39	567.13	1,272.53	1,138.59	20.26	870.91	340.03	2.20	364.11	4,710.15	285.87	1.97	Mer Rouge
180.19	533.60	1,301.45	138.66	74.64	904.88	399.97	2.10	410.60	4,546.09	525.73	3.86	Ponchatoula
59.68	574.08	1,003.56	680.50	27.13	342.65	349.59	.62	192.26	3,130.06	125.09	1.68	Robeline
78.37	430.59	1,111.04	604.23	50.06	807.07	485.80	1.54	618.66	4,167.36	2,516.56	17.65	Sulphur
147.49	616.95	1,239.67	873.18	44.80	1,150.54	522.45	2.42	440.37	4,997.85	1,778.96	8.89	Vidalia
200.03	897.50	2,474.04	1,280.39	339.95	918.89	353.53	19.66	308.26	6,792.25	2,417.12	15.62	Wilson
279.78	1,076.44	2,134.98	1,984.25	139.89	1,468.44	572.67	3.36	625.11	8,285.12	729.28	2.91	Amite
268.62	1,054.26	3,118.37	1,371.69	85.91	1,767.32	658.88	4.15	735.89	9,125.09	1,544.12	5.21	Arcadia

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AND EXPENSES FOR THE YEAR ENDED JULY 31, 1920.

EXPENSES										NET		
General and Miscellaneous	Commercial	Traffic	Current Repairs	Station Removals and Changes	Depreciation	Rights, Privileges and Use of Property	Insurance	Taxes	Total Expense	Net Revenue	% per Annum of Net Revenue of Investment	EXCHANGE
251.41	1,161.65	1,616.86	1,177.35	68.58	1,330.85	393.19	3.89	513.53	6,717.91	977.64	4.39	Bastrop
158.55	824.88	1,302.92	2,194.29	98.29	1,257.84	361.34	2.96	403.85	6,859.92	1,075.67	5.01	Boyce
492.00	1,777.37	4,707.18	3,776.53	171.38	2,269.76	1,853.74	70.05	1,221	15,599.41	2,006.33	5.01	Bunkie
164.62	1,098.68	1,439.94	1,453.36	4.46	1,045.60	350.61	13.84	516.65	6,287.74	2,649.30	14.19	Calfax
186.80	1,639.35	2,429.34	2,007.37	2.36	1,674.78	950.36	12.25	814.15	9,717.12	3,382.32	10.97	Coushatta
228.36	1,403.88	2,760.92	2,259.85	170.27	1,548.81	869.70	27.77	770.11	10,036.85	3,376.77	12.56	Dubuse
196.06	1,084.74	2,200.18	1,351.04	92.31	1,127.99	644.29	23.85	468.29	7,728.75	1,676.59	8.20	Franklinton
371.85	2,601.96	6,703.06	5,399.28	153.48	2,918.78	1,457.06	5.39	1,279.33	20,950.39	4,319.57	8.17	Homer
408.29	1,468.01	3,025.27	2,510.37	253.24	2,216.92	925.58	61.41	974.18	12,171.27	2,457.57	7.02	Jeanerette
260.84	1,020.83	2,212.00	1,101.75	126.48	1,390.30	720.32	12.64	1,277.07	8,122.20	265.25	1.14	Kentwood
286.30	1,799.60	2,630.35	2,925.46	63.21	1,681.53	809.37	3.97	766.89	11,066.88	2,016.13	7.00	Lake Providence
158.09	590.65	1,445.38	1,180.01	118.65	788.36	457.75	1.75	358.26	5,110.00	1,430.64	10.48	Lake Arthur
114.36	582.61	1,498.85	1,308.85	130.68	807.71	462.58	1.82	334.04	5,226.48	841.38	6.02	LeCompte
346.97	1,897.98	3,455.48	3,479.47	254.70	2,432.25	1,136.04	45.19	1,170.74	14,151.86	3,009.49	7.16	Leesville
314.00	1,346.51	1,652.64	2,845.81	185.84	2,319.97	921.75	5.25	667.00	9,774.73	4,689.22	11.65	Lockport
296.57	1,817.57	2,255.71	2,670.58	76.72	2,122.61	979.76	16.21	653.03	10,818.76	4,146.51	10.91	Lutcher
127.77	1,011.68	2,312.46	1,399.06	85.85	1,005.87	542.47	2.03	468.29	6,954.82	1,650.35	9.53	Many
185.31	1,078.33	1,393.66	1,438.31	39.28	984.98	491.96	2.83	302.66	6,010.30	1,267.11	7.53	Marksville
211.29	1,101.61	2,376.13	1,498.28	95.34	1,303.06	698.00	2.80	614.37	7,900.48	2,670.85	11.84	Mooringsport
379.21	1,726.99	2,561.76	2,886.31	283.08	2,530.01	1,019.30	6.00	822.74	12,135.66	4,130.16	9.37	Napoleonville
218.21	1,639.63	1,899.36	2,368.79	42.33	1,724.76	782.65	3.66	702.44	9,382.83	2,529.02	8.24	New Roads
318.43	2,263.19	4,807.46	2,343.61	206.60	2,351.31	1,263.65	17.00	1,298.55	14,848.08	3,846.46	9.30	Caldale
279.52	1,390.70	2,077.67	2,199.33	145.85	1,595.47	706.09	4.28	689.87	9,632.90	1,845.37	6.35	Patterson
250.56	1,046.94	2,483.98	2,128.10	117.12	1,631.06	885.66	3.60	1,096.85	9,478.95	3,361.12	11.84	Rayne

STATEMENT OF INVESTMENT, REVENUES

LOUISIANA	INVESTMENT								REVENUE			
EXCHANGE	Average Exchange Lines and Equipment	Average Toll Lines and Equipment	Average Real Estate Land	Average Real Estate Buildings	Average Furniture and Fixtures	Average Tools, Teams Vehicles, Etc.	Average Working Capital	Total Average Investment	Exchange Revenue	Toll Revenue	Miscellaneous Revenue	Total Gross Revenue
Bastrop	13,240.90	7,932.06			130.59	75.29	870.60	22,289.44	3,482.75	4,277.47	3.67	7,695.55
Boyce	11,694.77	8,898.32			32.50		844.64	21,467.25	3,100.35	4,766.68	68.99	7,585.39
Bunkie	19,619.80	17,860.43			280.24	861.24	1,537.39	40,647.30	3,923.58	9,372.26	99.24	13,395.08
Colfax	8,267.33	9,453.45			47.25	168.76	726.91	18,663.90	3,714.55	5,065.65	134.86	8,957.06
Coushatta	10,458.11	18,687.96			166.24	116.02	1,205.65	30,652.16	3,033.60	10,014.53	51.31	13,099.44
Eunice	13,421.26	12,305.10			70.40	44.32	1,055.35	26,896.41	6,679.44	6,525.45	142.75	13,413.62
Franklinton	7,535.14	11,445.08			38.50	34.77	885.22	20,452.71	3,869.20	6,241.15	96.99	9,405.34
Homer	21,438.48	29,170.32			211.94	380.88	2,489.67	52,841.49	9,287.10	13,631.67	351.19	25,269.96
Jeanerette	21,214.73	14,666.01			125.80	104.76	1,471.32	37,583.22	6,850.97	7,859.31	118.36	14,808.84
Kentwood	14,362.79	7,742.78			48.80	73.32	906.85	23,130.72	4,116.40	4,150.14	118.89	8,385.43
Lake Providence	15,414.77	11,856.30			85.30	164.32	1,186.09	28,825.38	6,617.69	6,348.96	122.36	13,083.01
Lake Arthur	6,988.38	6,535.30				17.78	538.95	13,694.41	3,013.65	3,340.74	184.25	6,540.64
Le Compti	7,015.55	6,368.92			51.15		548.79	13,978.41	2,631.77	3,409.60	35.49	6,067.86
Leesville	22,067.00	18,879.79			81.56	74.64	1,646.74	41,945.13	7,299.13	9,686.78	168.84	17,155.35
Lockport	20,401.85	18,125.46			46.80	115.00	1,580.37	40,266.85	4,354.40	9,712.49	197.06	14,463.95
Lutcher	16,751.15	19,288.17			73.95	404.71	1,478.14	37,990.12	4,639.85	18,333.29	7.05	14,965.27
Many	8,108.72	8,848.47			39.31	67.62	698.36	17,773.48	3,892.50	4,740.04	15.63	8,648.17
Marksville	7,714.84	8,337.00			72.33	50.32	638.68	16,832.97	2,795.15	4,467.01	17.25	7,277.41
Morgangport	11,533.48	10,051.85			36.50	42.18	885.42	22,548.45	5,186.39	5,348.96	5.96	10,570.51
Napoleonville	25,342.07	37,988.05			146.78	189.54	1,698.44	43,361.88	6,460.25	9,639.48	186.09	16,285.82
New Iberia	13,787.89	15,459.70			47.98	205.72	1,198.95	30,677.15	5,605.00	8,274.11	32.74	11,911.85
Oakdale	18,738.18	20,779.68			98.44	124.59	1,621.12	41,362.01	7,372.27	11,134.80	187.47	18,694.54
Patterson	16,260.74	9,184.45			59.85	89.54	1,043.80	26,438.38	5,730.09	4,921.98	256.25	10,878.27
Rayne	13,899.78	13,304.10			70.26		1,115.96	28,390.10	5,343.85	7,129.17	164.05	12,857.07

STATEMENT OF INVESTMENT, REVENUES

LOUISIANA	INVESTMENT								REVENUE			
EXCHANGE	Average Exchange Lines and Equipment	Average Toll Lines and Equipment	Average Real Estate Land	Average Real Estate Buildings	Average Furniture and Fixtures	Average Tools, Teams Vehicles, Etc.	Average Working Capital	Total Average Investment	Exchange Revenue	Toll Revenue	Miscellaneous Revenue	Total Gross Revenue
Bayville	17,144.24	15,334.01			90.85	64.39	1,332.31	33,965.80	4,751.10	8,217.50	122.11	13,070.71
St.Francisville	13,446.94	5,874.38			54.50	96.75	792.59	20,265.14	3,776.85	3,147.77	12.68	6,937.28
St.Joseph	15,860.14	9,068.80			85.85	468.45	1,022.64	26,700.84	3,292.30	4,859.25	33.09	8,184.64
St.Martinsville	10,142.61	8,492.53			56.30	55.37	764.44	19,511.45	3,362.65	4,551.37	45.52	7,939.54
Slidell	84,535.98	19,010.98			52.28	88.07	1,787.12	45,489.45	6,281.38	10,188.11	308.05	16,779.54
Tallulah	11,460.85	15,307.25			98.85	141.94	1,098.08	28,106.97	3,616.61	8,202.86	177.93	11,997.40
Vinton	10,532.66	12,428.79			189.64	100.94	941.91	24,158.94	4,871.10	6,459.41	92.03	11,458.48
White Castle	16,625.82	9,537.40			40.00		1,073.18	27,274.40	3,119.60	5,111.07	31.46	8,262.13
Winnfield	25,527.84	20,760.00			101.15	621.08	1,817.68	46,847.75	8,032.25	11,137.19	133.63	19,323.07
Winnsboro	14,362.46	18,053.81			47.30	85.10	1,337.97	34,086.66	6,343.62	9,662.38	132.73	15,873.82
Abbeville	31,517.34	25,003.01			96.64	204.97	2,256.56	57,058.72	12,160.20	12,326.31	425.16	24,911.87
Berwick	6,674.34	3,136.39			14.30		402.47	10,227.70	1,980.70	1,680.69	36.71	3,698.10
Covington	45,050.11	24,795.65			241.03	814.82	2,845.22	73,766.87	11,311.57	13,287.97	312.01	24,911.55
DeRidder	29,058.10	36,396.84			225.03	760.50	2,685.10	69,125.57	11,891.95	19,304.20	262.68	31,604.83
Donaldsonville	61,696.82	32,626.15			89.28	615.18	3,869.32	98,894.75	15,273.90	17,485.49	314.00	33,073.39
Franklin	49,874.69	34,248.25			192.00	732.62	3,418.77	87,703.31	15,344.20	18,362.27	411.12	34,117.59
Hammond	45,196.41	32,478.60			360.05	1,234.27	3,186.30	82,455.63	11,620.27	17,404.35	256.41	29,285.23
Houma	76,950.67	25,894.34			140.58	692.08	4,136.86	105,814.53	19,449.79	12,804.62	318.60	32,573.01
Jennings	50,479.34	25,264.25			322.01	498.02	3,107.17	79,665.97	14,213.03	13,537.86	349.95	28,100.84
Lonefield	37,971.34	29,349.00			287.85	1,391.14	2,730.59	70,973.50	13,076.35	15,723.39	561.19	31,361.13
Minden	31,848.58	28,941.21			116.41	369.22	2,458.32	63,763.94	10,646.92	15,308.44	165.48	26,320.84

AND EXPENSES FOR THE YEAR ENDED JULY 31, 1930.

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EXPENSES										NET		LOUISIANA
General and Miscellaneous	Commercial	Traffic	Current Repairs	Station Removals and Changes	Depreciation	Rights, Privileges and Use of Property	Insurance	Taxes	Total Expense	Net Revenue	% per Annum of Net Revenue of Investment	EXCHANGE
396.48	1,238.74	3,622.24	1,385.28	34.51	1,359.85	859.02	16.39	825.81	10,921.30	2,149.21	6.33	Rayville
213.36	983.12	2,087.47	1,458.06	120.75	1,256.18	515.58	3.89	410.89	6,970.48	33.15	.16	St.Francisville
385.48	1,184.78	1,728.21	3,185.66	71.68	1,564.12	502.53	24.85	446.81	8,914.19	728.55	2.73	St. Joseph
159.09	788.25	1,539.54	1,580.79	71.24	1,131.62	519.07	2.39	454.33	6,245.32	1,716.22	8.80	St.Martinsville
458.37	1,193.96	4,548.23	3,375.35	281.02	2,655.39	1,156.31	549.07	1,135.44	16,134.34	655.20	1.44	Slidell
250.71	1,452.31	3,725.28	2,694.74	104.72	1,559.97	791.72	19.32	687.40	11,282.28	715.12	2.54	Tallulah
210.84	1,238.37	2,621.98	2,158.25	118.82	1,369.82	896.82	18.34	744.33	9,170.96	2,267.32	9.37	Vinton
251.90	680.82	1,386.54	1,720.16	61.26	1,686.18	582.35	18.15	396.33	6,658.35	1,368.38	5.75	White Castle
598.19	2,299.86	4,877.44	3,892.98	283.68	2,674.47	1,229.82	42.08	1,266.33	16,414.72	2,908.35	6.21	Winnfield
214.25	1,839.60	2,730.07	2,044.35	86.82	1,904.60	1,115.34	25.86	672.37	10,651.26	5,222.56	15.32	Winnsboro
598.75	2,067.10	3,865.51	5,862.94	205.60	3,349.51	1,416.96	35.11	1,598.85	18,382.33	6,330.54	11.48	Abbeville
119.98	322.40	962.85	882.59	104.02	685.68	262.16	1.68	208.37	3,407.01	221.09	2.16	Berwick
886.86	3,672.34	6,372.66	4,486.18	591.98	4,396.23	1,348.36	45.97	2,663.69	24,834.28	77.27	.10	Covington
588.62	3,649.53	9,106.83	4,948.36	276.31	3,835.22	2,134.28	35.15	1,907.55	26,501.06	5,103.77	7.38	DeRidder
979.34	2,661.31	6,088.33	5,948.75	257.48	5,951.88	2,046.07	41.13	1,819.47	25,770.81	7,302.58	7.38	Donaldsonville
888.04	2,731.36	6,647.48	6,857.88	395.08	5,134.85	2,851.85	3.38	882.89	25,332.47	8,785.12	10.02	Franklin
888.79	3,882.99	7,883.76	5,824.16	711.84	4,792.16	1,929.64	46.90	2,686.25	26,256.49	2,326.74	2.82	Hammond
1,392.88	2,883.85	5,316.89	5,398.99	385.35	6,384.87	1,870.87	67.08	1,385.42	25,004.58	7,568.45	7.15	Houma
888.96	3,285.88	6,868.06	5,718.89	538.90	4,888.66	2,840.00	64.38	1,721.15	25,343.80	2,557.04	3.21	Jennings
628.30	3,941.48	7,332.73	6,813.99	468.32	4,071.91	1,986.44	78.68	2,851.66	27,305.96	4,855.17	5.71	Newfield
485.68	2,597.17	7,217.17	3,698.00	485.49	3,487.31	1,615.85	19.53	2,121.29	22,180.49	4,140.35	6.49	Minden

STATEMENT OF INVESTMENT, REVENUES

LOUISIANA	INVESTMENT								REVENUE			
EXCHANGE	Average Exchange Lines and Equipment	Average Toll Lines and Equipment	Average Real Estate Land	Average Real Estate Buildings	Average Furniture and Fixtures	Average Tools, Teams Vehicles, Etc.	Average Working Capital	Total Average Investment	Exchange Revenue	Toll Revenue	Miscellaneous Revenue	Total Gross Revenue
Morgan City	31,387.06	16,789.65			290.49	96.42	1,976.31	50,339.95	11,765.27	8,997.88	333.15	21,096.30
Natchitoches	39,984.89	28,119.67			849.58	781.34	2,791.34	72,867.02	11,991.16	15,068.63	301.00	27,360.79
Opelousas	33,955.12	30,302.52			314.34	345.34	2,644.20	67,781.72	13,038.75	16,349.45	253.19	29,637.55
Plaquemine	41,712.04	30,945.20			398.92	984.85	2,980.34	76,991.55	14,610.94	16,582.97	301.37	31,495.28
Ruston	34,486.85	22,869.41			212.13	539.64	2,351.63	60,489.10	12,276.97	12,254.85	307.85	24,839.43
Thibodeaux	44,869.47	31,168.98			330.70	832.84	3,119.23	80,320.62	19,374.11	16,699.96	470.60	36,544.67
Bogalusa	57,137.48	32,376.90	1,299.45		457.24	662.89	3,672.84	95,548.92	17,314.55	17,349.85	722.96	35,387.36
Crowley	82,287.80	40,532.44			387.43	889.05	5,058.32	129,135.04	25,418.95	21,719.35	667.69	45,806.39
Lafayette	60,730.75	43,471.69			360.48	5,058.18	4,274.57	113,895.59	24,164.46	23,295.27	811.67	48,271.40
New Iberia	62,487.76	34,469.65			381.39	1,028.48	3,977.13	102,337.41	20,268.78	18,467.67	500.24	39,251.69
Lake Charles	199,513.36	92,287.25			1,388.49	3,734.35	10,329.38	267,273.61	33,776.77	49,454.05	1,269.64	104,500.46
Monroe	157,858.75	76,885.00			898.54	2,201.16	9,626.39	247,382.82	33,920.61	41,164.94	1,209.12	98,294.67
Alexandria	224,134.77	116,580.38			2,135.44	8,285.40	13,976.81	365,130.80	76,259.91	62,470.98	2,145.26	140,876.15
Baton Rouge	305,987.03	111,691.84	4,406.30		1,553.77	4,490.01	12,949.74	339,080.09	89,253.34	39,881.24	1,770.43	144,877.01

AND EXPENSES FOR THE YEAR ENDED JULY 31, 1920.

	EXPENSES										NET		
	General and Miscellaneous	Commercial	Traffic	Current Repairs	Station Renewals and Charges	Depreciation	Rights, Privileges and Use of Property	Insurance	Taxes	Total Expense	Net Revenue	% per Annum of Net Revenue of Investment	EXCHANGE
	679.96	2,571.38	5,466.33	3,489.25	618.36	5,051.53	1,332.08	27.71	1,701.33	18,958.10	8,158.20	4.27	Morgan City
	898.13	3,347.08	6,321.71	7,060.01	168.60	4,198.49	1,437.50	57.30	1,705.48	25,352.44	2,008.35	2.79	Natchitoches
	719.11	3,585.72	6,322.80	4,767.74	376.98	3,901.52	1,807.35	49.60	1,793.70	23,322.97	6,114.68	9.02	Opelousas
	769.35	3,089.16	7,378.78	4,956.30	338.98	4,476.98	1,838.32	69.79	1,554.18	24,518.81	7,176.47	9.32	Plaquemine
	685.05	3,025.81	7,448.70	5,254.06	225.38	3,559.11	1,765.35	71.59	1,282.37	23,243.82	1,595.81	2.64	Ruston
	1,009.05	3,410.86	5,977.76	5,408.04	486.20	4,702.32	2,197.85	55.55	1,694.88	24,942.71	11,601.96	14.44	Thibodeaux
	1,048.60	3,511.70	7,887.02	6,266.39	1,044.29	5,634.85	2,145.39	95.30	1,615.40	29,218.02	6,369.34	6.67	Bogalousa
	1,328.63	3,800.27	9,139.67	7,169.06	1,153.17	7,758.21	2,609.71	78.01	4,464.91	38,181.64	7,624.35	5.90	Crowley
	1,144.70	4,388.70	10,176.17	8,125.31	1,036.20	6,618.70	2,548.67	134.80	2,918.25	37,191.50	11,079.90	9.75	LaFayette
	1,013.58	3,488.69	9,722.69	7,665.78	656.34	6,105.96	2,178.55	98.99	2,039.66	33,015.14	6,216.55	6.07	New Iberia
	2,856.75	9,948.90	25,976.68	21,747.81	1,955.48	15,838.08	6,613.08	730.18	8,437.89	94,104.85	10,395.61	3.89	Lake Charles
	2,701.09	9,188.08	22,195.39	21,118.78	1,679.26	14,918.42	5,737.89	400.99	5,395.05	83,288.85	15,005.84	6.87	Monroe
	4,204.72	14,354.32	35,305.29	29,359.00	2,489.94	21,497.76	8,171.58	691.06	9,386.30	121,957.45	18,988.70	5.18	Alexandria
	3,521.96	13,990.79	34,467.18	30,346.68	2,333.14	19,924.05	8,896.46	456.81	6,725.09	110,742.14	34,134.88	10.07	Baton Rouge

STATEMENT OF INVESTMENT, REVENUES

LOUISIANA

EXCHANGE	INVESTMENT								REVENUE			
	Average Exchange Lines and Equipment	Average Toll Lines and Equipment	Average Real Estate Land	Average Real Estate Buildings	Average Furniture and Fixtures	Average Tools, Teams Vehicles, Etc.	Average Working Capital	Total Average Investment	Exchange Revenue	Toll Revenue	Miscellaneous Revenue	Total Gross Revenue
Shreveport	563,724.26	379,531.80	34,071.86	10,413.48	3,607.20	10,922.99	38,694.25	1,041,066.19	291,256.00	82,380.25	5,267.58	399,885.83
New Orleans	9,999,802.78	787,343.25	140,996.23	631,422.47	25,235.11	68,178.07	196,376.30	5,827,356.21	1746,489.86	482,906.41	12,349.31	2210,752.98
GRAND TOTAL	7,013,003.09	2,852,770.68	180,759.02	642,021.00	49,052.33	105,494.18	405,894.90	11,219,033.80	2741,386.30	517,992.29	66,034.79	4325,413.58
Investment at end of Year	7,310,615.96	3,024,020.41	184,486.05	671,984.87	53,602.52	113,039.15	451,035.12	11,808,974.08				

AND EXPENSES FOR THE YEAR ENDED JULY 31, 1930.

EXPENSES										NET		LOSS AND
General and Miscellaneous	Commercial	Traffic	Current Repairs	Station Renewals and Changes	Depreciation	Rights, Privileges and Use of Property	Insurance	Taxes	Total Expense	Net Revenue	% per Annum of Net Revenue of Investment	EXCHANGE
9,963.54	31,168.85	97,145.30	43,454.66	9,477.48	58,705.33	20,438.40	1,112.26	24,948.05	316,629.87	83,253.96	8.08	Shreveport
82,066.50	285,827.59	515,399.30	296,020.99	32,182.44	337,448.68	105,278.39	8,862.26	189,856.85	1907,945.05	302,787.13	5.20	New Orleans
135,140.96	499,480.44	1070,077.68	670,782.13	66,279.51	651,019.31	255,301.17	14,672.81	318,859.49	3661,612.51	663,801.07	5.92	GRAND TOTAL
												Investment at end of Year

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HOXSEY EXHIBIT 8.

Filed June 23, 1922.

Hoxsey Exhibit 8 (Page 2).

Louisiana Wage Increase Forecast.

Forces as of 12-31-20.

Wage Rates 12-31-20—Estimated for 1921.

	Monthly.	Annual.
Increase Chgd. to Const.	$100	$1,200
Increase Chgd. to Exp.	49	588
	$149	$1,788

Summary.

	No. per.	Pres. pay (annual).	Prop. add. (annual).	% incr.	Exp.	Const.
Traffic	1,540	$1,076,376	$64,583	6	$64,583	.....
Comm'l	266	336,876	23,581	7	23,581	.....
Plant and Div. Eng.	505	771,312	61,704	8	42,276	$19,428
Genl. Office	29	57,072	5,712	10	5,712	.....
Genl. Eng.	10	17,904	1,788	10	588	1,200
	2,440	$2,259,540	$157,368	6.9	$136,740	$20,628

(Here follows Hoxsey Exhibit No. 9, marked pages 1136-1148, inclusive.)

HOXSEY EXHIBIT No. 10.

Filed June 23, 1922.

Hoxsey Exhibit "10". Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Company.

State of Louisiana.

Statement Showing Relatively Large Toll Revenue Credited to Exchanges at Which Net Earnings of Eight Per Cent or Over Are Indicated by Hoxsey Exhibit "9", Year Ending July 31, 1920.

	Total revenue.	Toll revenue.	Percentage gross toll.	Percentage net revenue to total investment.
State as a whole	$4,325,414	$1,517,992	35.1%	5.92%
Gueydan	$5,672	$4,225	75.5%	11.58%
Newellton	4,651	3,468	74.6	8.24
Columbia	9,002	6,148	68.3	9.71
Delhi	6,937	4,432	63.9	9.31
Logansport	6,128	3,299	53.8	12.52
Madisonville	5,069	3,360	66.3	8.11
Sulphur	6,684	4,582	68.6	17.65
Vidalia	6,717	5,027	74.8	8.89
Colfax	8,937	5,066	56.7	14.19
Coushatta	13,099	10,014	76.4	10.97
Eunice	13,416	6,593	49.1	12.56

Franklinton	9,405	6,241	66.4	8.20
Homer	25,270	15,632	61.9	8.17
Lake Arthur	6,541	3,341	51.1	10.45
Lockport	14,464	9,712	67.1	11.63
Lutcher	14,965	10,333	69.0	10.91
Many	8,648	4,740	54.8	9.53
Mooringsport	10,570	5,386	51.0	11.84
Napoleonville	16,285	9,639	59.2	9.57
New Roads	11,912	8,274	69.5	8.24
Oakdale	18,695	11,135	59.6	9.30
Rayne	12,857	7,129	55.4	11.84
St. Martinville	7,960	4,551	57.2	8.80
Vinton	11,438	6,659	58.2	9.37
Winnsboro	15,874	9,662	60.9	15.32
Abbeville	24,912	12,327	49.5	11.45
Franklin	34,118	18,362	53.8	10.02
Opelousas	29,638	16,345	55.1	9.02
Plaquemine	31,695	16,583	52.3	9.32
Thibodaux	36,545	16,700	45.7	14.44
La Fayette	48,271	23,295	48.3	9.73
Baton Rouge	144,877	59,851	41.3	10.07
Shreveport	399,884	203,380	50.9	8.00
Total earning over 8%	$1,021,136	$535,491	52.4	
Total earning less than 8%	$3,304,278	$982,501	29.7	

HOXSEY EXHIBIT 11-A.

Filed June 23, 1922.

Hoxsey Exhibit #11-A. Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Company.

State of Louisiana.

Table of Uniform Rates.

	Present net rates per month.	Proposed net rates per month.
Extension Stations:		
Extension Sets, Flat Rate Business	$1.00	$1.50
Extension Sets, Msg. Rate Business	1.00	Same
Extension Sets, Flat Rate, Residence	1.00	1.25
Extension Sets, Msg. Rate, Residence	1.00	Same
Private Branch Exchange Stations, Switchboard Systems:		
Commercial Flat Rate	1.00	1.25
Commercial Message Rate	1.00	Same
Hotel Msg. Rate (Except New Orleans)	.50	.75
Hotel Msg. Rate (" " ") where Hotel owns and maintains wiring	.33-1/3	.50
Hotel Msg. Rate, New Orleans	.50	Same
Hotel Msg. Rate, New Orleans, where hotel owns and maintains wiring	.33-1/3	Same

Private Branch Exchange Stations, Key Switching Equipment, including Key Equipment:		
Master Stations, Flat Rate	2.00	2.25
Additional Stations, Flat Rate	1.25	1.75
Master Stations, Message Rate	2.00	2.00
Additional Stations, Message Rate	1.25	1.50
Private Branch Exchange Trunks (Except New Orleans):		
Flat Rate—two way	1-1/2 times individual line Bus. Flat Rate	Same
Flat Rate—one way	3/4 individual line Bus. Flat Rate	Same
Message Rate—two way only	Individual Line Bus. Msg. Rate.	Same
Private Branch Exchange Trunks—New Orleans:		
Flat Rate—two way	15.00	Same
Flat Rate—one way	7.50	Same
Message Rate—two way only	Individual line Bus. Msg. Rate.	Same

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	Present net rates per month.	Proposed net rates per month.
Private Branch Exchange Switchboards:		
See detailed Schedules. The average increase for Private Branch Switchboards and Stations combined is.....	32%	
Farmers' Exchange Trunks	Twice 1-party Line Bus. Rate Minimum $6.00	Same with minimum of $9.00
Farmers' Exchange Mileage, per quarter mile.....	$0.21	$0.42
Farmers' Line Stations	One-sixth of the line guarantee which is not less than $3.00 nor less than the One-party Bus. Rate.	One-sixth of the line guarantee which is not less than $4.50 nor less than the One-party Bus. Rate.

Excluding the classes of service enumerated in the foregoing table of uniform rates, it is proposed to increase Subscribers' Station Revenues, which constitute by much the largest portion the Exchange Service Revenue, by the percentages shown in the third column of the following table. These percentages of increase applied to total Exchange Revenue, excluding the uniform rate services above enumerated, give a close approximation to the percentages of increase to Total Exchange Revenue shown in the last column of the table. This table, being merely illustrative, shows for brevity only the Special Line Schedules:

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Hoxsey Exhibit No. 12.

Filed June 23, 1922.

Hoxsey Exhibit 12, Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Company, Inc.

State of Louisiana.

Pres. schedule, net.		Per cent increase in rates, average.	Proposed rates, net.		Per cent increase in exchange rev.
Bus.	Res.		Bus.	Res.	
$8.00	$4.00	21.7%	$10.00	$5.00	19.83%
5.00	2.00	29.6%	6.25	3.00	27.05%
4.50	2.50	25.0%	5.60	3.00	22.88%
4.50	2.25	25.0%	5.60	2.80	22.88%
3.50	2.00	25.0%	4.35	2.50	22.88%
3.25	2.00	25.0%	4.05	2.50	22.88%
3.00	2.00	20.0%	3.60	2.40	18.30%
2.75	1.65	22.28%	3.25	2.00	20.38%

HOXSEY EXHIBIT No. 13.

Filed June 23, 1922.

Hoxsey Exhibit 13. Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Company, Inc.

State of Louisiana.

Present rates, net. Bus.	Present rates, net. Res.	Exchange revenue.	Less priv. br. exch., station and sw'b'd rev., ext. set rev., and mileage.	Remaining exchange revenue.	Per cent increase. See Exhibit 12.	Amount increase in remaining revenue.	Increase in priv. br. exch., sta., & sw'b'd revenue.	Increase in mileage revenue.	Increase in farmers' line rev.	Increase in extension set revenue.	Total increase.
$8.00	$4.00	$1,746,483	$115,237	$1,631,246	19.83%	$323,466	$19,898	$143	$0	$15,990	$359,497
5.00	2.00	191,236	22,459	168,777	27.05%	45,661	2,727	7,500	860	4,649	61,397
4.50	2.50	159,495	14,010	145,485	22.88%	33,287	909	0	382	2,352	37,020
4.50	2.25	109,697	9,049	100,648	22.88%	23,028	482	0	66	1,629	25,205
3.50	2.00	85,362	6,975	78,387	22.88%	17,935	228	0	758	729	19,650
3.25	2.00	221,904	25,795	196,109	22.88%	44,870	87	0	1,826	1,548	48,331
3.00	2.00	214,081	14,130	199,951	18.30%	36,591	90	0	6,678	987	44,346
2.75	1.65	13,127	446	12,681	20.38%	2,584	0	0	773	33	3,390
Totals....		$2,741,385	$208,101	$2,533,284	20.82%	$527,422	$24,511	$7,643	$11,343	$27,917	$598,836
Net Revenue as shown by Hoxsey Exhibit 9.....											663,801
Total Net Revenue after rate increase if there neither had been nor would be any expense increase.....											$1,262,637

Exhibit "Hoxsey #14"---- Filed June 23, 1922.

HOXSEY EXHIBIT #14

PROPOSED REVISION IN RATES

1. Subscribers' Exchange Station Service
2. Private Branch Exchange Service - Except New Orleans
3. Private Branch Exchange Service - New Orleans
4. Farmers Line and Farmers Exchange Service

EXCHANGE	No. Stas. 6-1-20	PRESENT RATES Business 1 Pty F R	Business 2 Pty F R	Business 5 Pty F R	Business Extension	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension	PROPOSED RATES Business 1 Pty F R	Business 2 Pty F R	Business 5 Pty F R	Business Extension	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension
Athens	40	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Bienville	42	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Choneyville	33	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Denham Springs	33	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Farriday	46	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Gueydon	32	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Independence	26	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Marthaville	20	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Merryville	60	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Newellton	58	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Pollock	33	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Waterproof	60	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25
Zwolle	51	2.75	2.25	2.00	1.00	1.65	1.40	1.25	1.00	3.25	2.75	2.25	1.50	2.00	1.50	1.25	1.25

EXCHANGE	No. Stas. 6-1-20	PRESENT RATES Business 1 Pty F R	Business 2 Pty F R	Business 5 Pty F R	Business Extension	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension	PROPOSED RATES Business 1 Pty F R	Business 2 Pty F R	Business 5 Pty F R	Business Extension	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension
Amite	142	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Arcadia	164	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Bastrop	126	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Bernice	68	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Bryce	118	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Bunkie	163	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Calfax	138	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Columbia	89	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Clinton	86	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Coushatta	130	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Delhi	80	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Eunice	240	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Farmerville	75	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Franklinton	118	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Gibsland	90	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Grand Cane	77	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Haynesville	95	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Homer	297	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Jackson	79	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Jeanerette	245	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Jonesboro	51	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Kentwood	161	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Lake Providence	235	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Leesville	274	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Lockport	139	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Logansport	92	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Lo.Gempti	104	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Lake Arthur	109	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Lutcher	179	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Madisonville	55	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Mandeville	61	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Many	121	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25

EXCHANGE	No. Stas. 6-1-20	PRESENT RATES Business 1 Pty F R	2 Pty F R	5 Pty F R	Extension	Residence 1 Pty F R	2 Pty F R	5 Pty F R	Extension	PROPOSED RATES Business 1 Pty F R	2 Pty F R	5 Pty F R	Extension	Residence 1 Pty F R	2 Pty F R	5 Pty F R	Extension
Marksville	121	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Mellville	74	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Mer Rouge	81	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Mooringsport	163	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Napoleonville	212	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
New Roads	147	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Oakdale	290	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Patterson	196	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Ponchatoula	73	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Rayne	192	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Rayville	181	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Robeline	51	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
St. Francisville	109	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
St. Martinsville	123	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Slidell	257	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Sulphur	66	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
St. Joseph	107	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Tallulah	149	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Vidalia	68	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Vinton	170	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Whitecastle	112	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Winnfield	304	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Winnsboro	209	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25
Wilson	76	3.00	2.50	2.00	1.00	2.00	1.50	1.25	1.00	3.60	3.00	2.40	1.50	2.40	1.80	1.50	1.25

EXCHANGE	No. Stas. 6-1-20	PRESENT RATES Business 1 Pty F R	2 Pty F R	5 Pty F R	Extension	Residence 1 Pty F R	2 Pty F R	5 Pty F R	Extension	PROPOSED RATES Business 1 Pty F R	2 Pty F R	5 Pty F.R	Extension	Residence 1 Pty F R	2 Pty F R	5 Pty F R	Extension
Abbeville	385	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Berwick	64	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Covington	386	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
De Ridder	435	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Donaldsonville	411	3.25	2.75	2.25	1.00	2.00	1175	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Franklin	434	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Hammond	441	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Houma	558	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Jennings	500	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Mansfield	544	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Minden	387	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Morgan City	404	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Natchitoches	423	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Opelousas	473	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Plaquemine	490	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Ruston	434	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25
Thibodaux	562	3.25	2.75	2.25	1.00	2.00	1.75	1.25	1.00	4.05	3.45	2.80	1.50	2.50	2.20	1.55	1.25

PRESENT RATES

EXCHANGE	No. Stas. 6-1-20	Business 1 Pty F R	Business 2 Pty F R	Business 5 Pty F R	Business Extension	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension
Bogalusa	626	3.50	3.00	2.50	1.00	2.00	1.75	1.25	1.00
Crowley	740	3.50	3.00	2.50	1.00	2.00	1.75	1.25	1.00
La Fayette	832	3.50	3.00	2.50	1.00	2.00	1.75	1.25	1.00
New Iberia	663	3.50	3.00	2.50	1.00	2.00	1.75	1.25	1.00

PROPOSED RATES

1 Pty F R	1 Pty Inward	2 Pty F R	5 Pty F R	Business Extension	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension
4.35	2.50	3.75	3.10	1.50	2.50	2.20	1.55	1.25
4.35	2.50	3.75	3.10	1.50	2.50	2.20	1.55	1.25
4.35	2.50	3.75	3.10	1.50	2.50	2.20	1.55	1.25
4.35	2.50	3.75	3.10	1.50	2.50	2.20	1.55	1.25

PRESENT RATES

EXCHANGE	No. Stas. 6-1-20	Business 1 Pty F R	Business 2 Pty F R	Business 5 Pty F R	Business Extension	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension
Lake Charles	1711	4.50	4.00	3.00	1.00	2.25	1.75	1.50	1.00
Monroe	1682	4.50	4.00	3.00	1.00	2.25	1.75	1.50	1.00

PROPOSED RATES

1 Pty F R	1 Pty Inward	2 Pty F R	5 Pty F R	Business Extension	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension
5.60	3.00	5.00	3.75	1.50	2.80	2.20	1.85	1.25
5.60	3.00	5.00	3.75	1.50	2.80	2.20	1.85	1.25

PRESENT RATES

EXCHANGE	No. Stas. 6-1-20	Business 1 Pty F R	Business 2 Pty F R	Business 5 Pty F R	Business Extension	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension
Alexandria	2235	4.50	4.00	3.00	1.00	2.50	2.00	1.50	1.00
Baton Rouge	2909	4.50	4.00	3.00	1.00	2.50	2.00	1.50	1.00

PROPOSED RATES

1 Pty F R	1 Pty Inward	2 Pty F R	5 Pty F R	Business Extension	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension
5.60	3.00	5.00	3.75	1.50	3.00	2.50	1.85	1.25
5.60	3.00	5.00	3.75	1.50	3.00	2.50	1.85	1.25

PRESENT RATES

EXCHANGE	No. Stas. 6-1-20	Business 1 Pty F R	Business 2 Pty F R	Business 5 Pty F R	Business Extension	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension
Shreveport	6185	5.00	3.50	3.00	1.00	2.00	1.50	2.00	1.00

PROPOSED RATES

1 Pty F R	1 Pty Inward	1 Pty M R	5 Pty F R	Business Extension F R	Business Extension M R	Residence 1 Pty F R	Residence 2 Pty F R	Residence 5 Pty F R	Residence Extension
6.25	3.50	4.00 80-3%	4.00	1.50	1.00	3.00	2.50	2.00	1.25

EXCHANGE	No. Stas. 6-1-20	
New Orleans	32,733	Detail of Present and Proposed Rates set out on sheet attached.

PRESENT RATES OUTSIDE BASE RATE AREA

New Orleans: For Business or Residence one (1) party line service beyond the base rate area, add 25¢ per month per 1/2 mile or fraction thereof for the first 1-1/2 miles, beyond 1-1/2 miles add $1.25 per month per mile or fraction thereof pole line measurement. For two (2) party line service add 75¢ per month per mile or fraction thereof, pole line measurement.

Shreveport: For Business or Residence One (1) Party line service beyond the base rate area and within 1-1/2 pole line miles of base rate area boundary, add 25¢ per month per 1/2 mile or fraction thereof. Beyond 3 pole line miles from Central Office and within 4 miles, add $2.00 per month. Beyond 4 pole line miles add $1.25 per month per pole line mile. For Business or Residence five (5) party line service beyond the base rate area the following rates apply:

	Business 5 Pty. Line	Residence 5 Pty.Line
Within 1 pole line mile of area	$3.00	$2.00
Within 1-1/2 pole line miles of area	3.25	2.00
Over 3 miles and within 4 miles of Central Office	3.50	3.50
Over 4 miles and within 5 miles of Central Office	4.00	4.00
Over 5 miles and within 20 miles of Central Office	5.00	5.00

All Other Exchanges: For Business or Residence one (1) party line service beyond the base rate area, add 50¢ per month per 1/2 mile or fraction thereof, pole line measurement.

For Business or Residence five (5) party line service beyond the base rate area, add 20¢ per month per 1/2 mile or fraction thereof, pole line measurement, up to 5 miles; beyond 5 miles add 30¢ per month per 1/2 mile or fraction thereof.

NOTE: Business or Residence five (5) party line service available only outside the base rate area.

PROPOSED RATES OUTSIDE BASE RATE AREA

All Exchanges: For Business or Residence one (1) party line service beyond the base rate area, add 50¢ per month per 1/2 mile or fraction thereof, pole line measurement.

For Business or Residence five (5) party line service beyond the base rate area, add 20¢ per month per 1/2 mile or fraction thereof, pole line measurement, up to 5 miles; beyond 5 miles add 30¢ per month per 1/2 mile or fraction thereof.

NOTE: Business or Residence five (5) party line service available only outside the base rate area.

NEW ORLEANS, LA.
PROPOSED REVISION IN RATES
SUBSCRIBERS' STATION SERVICE

FLAT RATES

Class of Service	Present Rate	Proposed Rate
Business Individual Line	$8.50*	$10.50*
" Auxiliary Line-Inward	4.50*	5.50*
" Extension	1.50*	2.00*
Residence Individual Line	4.50*	5.50*
" 2-Party Line	3.50*	4.50*
" Extension	1.50*	1.75*

MESSAGE RATES

Class of Service	Present Rate: Msgs. Per Mo.	Present Rate: Rate	Present Rate: Addl. Msgs.	Proposed Rate: Msgs. Per Mo.	Proposed Rate: Rate	Proposed Rate: Additional Messages
Business Individual Line	0	$3.50*	2¢	50	$4.50*	First 50- 4¢ All others 3¢
Business Individual Line	83	5.50*	2¢	100	6.50*	3¢
" Extension	-	1.50*	-	-	1.50*	-
Residence Indivual Line	83	4.00*	2¢	70	4.00*	3¢
" Extension	-	1.50*	-	-	1.50*	-

COIN BOX RATES

Class of Service	Present Rate: Msgs. Per Day	Present Rate: Guarantee Per Day	Present Rate: Addl. Msgs.	Proposed Rate: Msgs. Per Day	Proposed Rate: Guarantee Per Day	Proposed Rate: Additional Messages
Residence 2-Party Line	1-2/3	8-1/3¢	2-1/2¢	2	10¢	3¢

SEMI PUBLIC PAY STATION RATES

Class of Service	Present Rate: Msgs. Per Day	Present Rate: Guarantee Per Day	Present Rate: Addl. Msgs.	Proposed Rate: Msgs. Per Day	Proposed Rate: Guarantee Per Day	Proposed Rate: Additional Messages
Individual Line	3	15¢	2-1/2¢	4	20¢	3¢

LONG DISTANCE TOLL TERMINALS

Present Rate	Proposed Rate
$5.50*	$5.50*

All rates indicated by (*) are gross rates and are subject to a discount of 50¢ when bills are paid on or before the 10th day of the month.

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CARD 11

Less increased Expenses to present level (See Hoxsey Exhibits 6 and 7)	$86,964
Proposed Increase in annual wages after July 31, 1920 (See Hoxsey Exhibit 8)	223,910

Proposed Increase in annual wages after July 31, 1920 (See Hoxsey Exhibit 8)	223,910	
Increased Federal Income Taxes account larger net revenue ($287,902)	28,796	
		339,721
Balance total net revenue, on basis volume of business for year ending July 31, 1920, after allowance for increase of rates and for increased expenses as shown		$992,916
Percentage of proposed increase in rates to total exchange revenue	21.84%	
Percentage of proposed increase in rates to total revenue exchange toll and miscellaneous	13.84%	
Percentage of resulting net revenue to average actual investment	8.23%	
Percentage of resulting net revenue to estimated reproduction cost in present condition plus working capital ($17,686,487)	5.22%	

(Here follows Hoxsey Exhibit No. 14, marked pages 1154-1159, inclusive.)

1160 Sheet #2.

Joint User Service.

	Present rate.	Proposed rate.
Business Individual Line Flat Rate.....	$1.00	$2.50
" " " Mesage Rate.....	1.00	1.00
Residence Individual Line Flat Rate.....	1.00	1.00
" " " Message Rate....	1.00	.75

1161 State of Louisiana.

Proposed Revision in Rates, Private Branch Exchange Servic, Except New Orleans.

1. There are five different classes of private branch exchange systems:

Class A Systems or Cordless Switchboard Manual Systems.
Class B Systems or Cord Non-Multiple Switchboard Manual Systems.
Class C Systems or Cord Multiple Switchboard Manual Systems.
Class D Systems or Key Switching Equipment Systems.
Class E Systems or Combination Manual and Mechanical Systems.

2. The proposed rates herein set forth for private branch exchange service contemplate the use of standard equipment. When equipment of a special type is desired, the determination of the rates to apply is based upon the individual requirements of each case.

3. All operation at the subscriber's premises is performed at the expense of the subscriber.

4. For charges for miscellaneous equipment furnished in connection with private branch exchange systems the Company's established rates for miscellaneous equipment will apply.

5. In connection with Class A and Class B Systems, the charges given herein for battery power and ringing circuit apply only when such systems are located inside the base rate area. Battery power for Class A or Class B Systems installed outside the
1162 base rate area is furnished only by special agreement. For ringing circuit for Class A or Class B Systems installed outside the base rate area, regular extra exchange line mileage charges apply in addition to the monthly charge given herein.

6. The rates specified herein apply for systems located inside the base rate area and for stations located within the same building as the switchboard or master station. When applicable, mileage charges are made in addition to the rates quoted herein for trunk lines and stations.

7. Flat rate private branch exchange service is available for commercial service, except for service at hotels and apartment houses. Message rate private branch exchange service is available for commercial service and for hotel and apartment house service.

Class A. Systems.

	Proposed net rates.	
	Flat.	Message.
Switchboard	2.25	2.25
Battery Power	1.50	1.50
Ringing Current	1.50	1.50
Stations, Inside	1.25	1.00

Trunks:

Commercial Flat Rate—2-way 1½ Individual Line Bus. Flat Rate

Inward ¾ Individual Line Bus. Flat Rate

Commercial Message Rate—2-way only Individual Line Business Message Rate

Hotel Message Rate—See Note (*b*).

1163 Class B Systems.

	Proposed net rates.	
	Flat.	Message.
Switchboard (non-mul.) per pos.:		
"Lines in use" is to be interpreted to mean trunk lines and station circuits.		
10 lines or less in use	3.00	3.00
11 to 30 lines in use	4.50	4.50
31 to 60 lines in use	6.00	6.00
61 to 100 lines in use	7.50	7.50
101 to 150 lines in use	9.00	9.00
151 to 200 lines in use	10.50	10.50
201 to 260 lines in use	12.00	12.00
261 to 300 lines in use	13.50	13.50
Battery Power:		
Systems of 10 stas. or less	1.50	1.50
Systems of 11 to 30 stations	2.50	2.50
Systems of 31 to 60 stations	4.00	4.00
Systems of over 61 stations	5.00	5.00
Ringing Current	1.50	1.50
Stations, inside:		
Commercial	1.25	1.00
Hotel and Apartment	....	.75

Trunks:

Commercial Flat Rate—2-way 1½ Individual Line Bus. Flat Rate
Inward ¾ Individual Line Bus. Flat Rate
Commercial Message Rate—2 way only Individual Line Business Message Rate
Hotel Message Rate—See Note (*b*).

Class C Systems.

Private branch exchange systems of the Class C type are systems requiring special apparatus to meet the special requirements of the applicant. These apparatus requirements vary materially as to
1164 individual applicants and it is not practicable to establish rates to meet these varying requirements. For such systems, therefore, rates covering switchboards and associated apparatus will be quoted only when the apparatus requirements in individual cases have been determined:

Class D Systems.

	Proposed net rates.	
	Flat.	Message.
Key Switching Eqpmt.:		
For Master Station	1.00	1.00
For Additional Staas	.50	.50
Stations, Inside	1.25	1.00
Local Battery	1.50	1.50

Trunks:

Commercial Flat Rate—2-way 1½ Individual Line Bus. Flat Rate
Inward ¾ Individual Line Bus. Flat Rate
Commercial Message Rate—2-way only Individual Line Business Message Rate
Hotel Message Rate—See Note (*b*)

The maximum equipment furnished for systems of the Class D type is that for 10 lines.

Under present practice subscribers are required to bear the cost of cabling in excess of 50 feet for any station, including cost of labor and material and are required to bear the total cost of cabling necessary to connect stations located outside the building in which the master station is installed.

Under proposed rates the subscriber will be required to bear the cost of cabling in excess of 30 feet for any station, including the cost of labor and material and will continue to be required to bear the total cost of cabling necessary to connect outside stations.

1165 Class E Systems.

Private branch exchange systems of the Class E type are systems requiring special apparatus to meet the special requirements of the applicant. These apparatus requirements vary materially as to individual applicants and it is not practicable to establish rates to meet these varying requirements. For such systems, therefore, rates covering switchboards and associated apparatus will be quoted only when the apparatus requirements in individual cases have been determined.

Notes.

(*a*) Commercial Trunks.—In the foregoing schedules the trunk rates quoted for commercial message rate service are the rates and message allowances covering the first trunk connected. Additional trunks will be furnished at one-half the rate charged for the first trunk but with no allowance in messages. The rate for each message is 3¢.

(*b*) Hotel Trunks.—Trunks for Hotel Message Rate service take the same rate and message allowances as are quoted for Commercial Message Rate trunks—i. e., the rate for business individual line message rate service. In exchanges not quoting individual line message rates, the following rates apply for Hotel P. B. X. trunks—minimum of two trunks.

First Trunk, 2-way only, with 100 messages	4.00
Additional trunks, each, without message allowance	2.00
Additional Messages, each	3¢

(*c*) Station Mileage.—The rates quoted herein for stations connected with P. B. X. systems of the various classes are applicable to stations located in the same building containing the switchboard. A mileage charge of 63¢ per month per quarter mile or fraction thereof is made (except Class D systems) where the station is not located in the same building in which the switchboard is located.

1166 (*d*) Hotel Stations.—Under the rate of 75¢ quoted herein for stations connected with Hotel P. B. X. systems, the Company installs and maintains the inside wiring. Where the subscriber installs and maintains the wiring, the rate for each station is 50¢ per month.

1167 New Orleans, La.

Proposed Revision in Rates, Private Branch Exchange Service.

1. There are five different classes of private branch exchange systems:

Class A Systems or Cordless Switchboard Manual Systems.
Class B Systems or Cord Non-Multiple Switchboard Manual Systems.

Class C Systems or Cord Multiple Switchboard Manual Systems.
Class D Systems or Key Switching Equipment Systems.
Class E Systems or Combination Manual and Mechanical Systems.

2. The proposed rates herein set forth for private branch exchange service contemplate the use of standard equipment. When equipment of a special type is desired, the determination of the rate to apply is based upon the individual requirements of each case.

3. All operation at the subscriber's premises is performed at the expense of the subscriber.

4. For charges for miscellaneous equipment furnished in connection with private branch exchange systems, the Company's established rates for miscellaneous equipment will apply.

5. In connection with Class A and Class B Systems, the charges given herein for battery power and ringing circuit apply only when such systems are located inside the base rate area. Battery power for Class A or Class B Systems installed outside the base
1168 rate area is furnished only by special agreement. For ringing circuit for Class A or Class B Systems installed outside the base rate area, regular extra exchange line mileage charges apply in addition to the monthly charge given herein.

6. The rates specified herein apply for systems located inside the base rate area and for stations located within the same building as the switchboard or master station. When applicable, mileage charges are made in addition to the rates quoted herein for trunk lines and stations.

7. Flat Rates private branch exchange service is available for commercial service, except for service at hotels and apartment houses. Message rate private branch exchange service is available for commercial service and for hotel and apartment house service.

Class A Systems.

	Present rates.		Proposed rates.	
	Flat.	Message.	Flat	Message.
Switchboard	5.50*	3.50*	2.75*	2.75*
Battery Power	....	....	1.50	1.50
Ringing Current	....	....	1.50	1.50
Stations, Inside	1.50*	1.50*	1.75*	1.50*
Trunks:				
2 way	15.50*	83-5.50*-2¢	15.50*	100-6.50*-3¢
1 way	8.00*	....	8.00*	....

1169

Class B Systems.

	Present rates.		Proposed rates.	
	Flat.	Message.	Flat.	Message.
Switchboard (non-mul.) per pos.:				
10 lines or less in use.....	5.50*	3.50*	3.50*	3.50*
11 to 20 lines in use.....	5.50*	3.50*	5.00*	5.00*
21 to 30 lines in use.....	10.50*	3.50*	5.00*	5.00*
31 to 60 lines in use.....	10.50*	3.50*	6.50*	6.50*
61 to 100 lines in use.....	10.50*	3.50*	8.00*	8.00*
101 to 150 lines in use.....	10.50*	3.50*	9.50*	9.50*
151 to 200 lines in use.....	10.50*	3.50*	11.00*	11.00*
201 to 260 lines in use.....	10.50*	3.50*	12.50*	12.50*
261 to 300 lines in use.....	10.50*	3.50*	14.00*	14.00*
Battery Power:				
Systems of 10 stas. or less..	....	....	1.50	1.50
Systems of 11 to 30 stas....	....	....	2.50	2.50
Systems of 31 to 60 stas....	....	....	4.00	4.00
Systems of over 61 stas.....	....	....	5.00	5.00
Bringing Current Stations, inside:				
Commercial	1.50*	1.50*	1.75*	1.50*
Hotel and Apartment.....	....	.50	....	.50
Trunks:				
Commercial, 2 way.....	15.50*	83–5.50*–2¢	15.50*	100–6.50*–3¢
1 way.....	8.00*	....	8.00	....
Hotel and Apartment, 2-way		3¢ per msg.		4¢ per msg.

Class C Systems.

Private branch exchange systems of the Class C type are systems requiring special apparatus to meet the special requirements of the applicant. These apparatus requirements vary materially as to individual applicants and it is not practicable to establish rates to meet these varying requirements. For such systems, therefore, rates
1170 covering switchboard and associated apparatus will be quoted only when the apparatus requirements in individual cases have been determined.

Class D Systems.

	Present rates.		Proposed rates.	
	Flat.	Message.	Flat.	Message.
Key Switching Eqpmt.:				
For Master Station.....	1.00	1.00	1.00	1.00
For Additional Sta.....	.25	.25	.50	.50
Stations, Inside	1.50*	1.50*	1.75*	1.25*
Local Battery	1.25	1.25	1.50	1.50
Trunks:				
Commercial, 2 way.....	15.50*	83–5.50*–2¢	15.50*	100–6.50*–3¢
1 way.....	8.00*	....	8.00*	....

The maximum equipment furnished for systems of the Class D type is that for 10 lines.

Under present practice subscribers are required to bear the cost of cabling in excess of 50 feet for any station, including cost of labor and material and are required to bear the total cost of cabling necessary to connect stations located outside the building in which the master station is installed.

Under proposed rates the subscriber will be required to bear the cost of cabling in excess of 30 feet for any station, including the cost of labor and material and will continue to be required to bear the total cost of cabling necessary to connect outside stations.

Class E Systems.

Private branch exchange systems of the Class E type are systems requiring special apparatus to meet the special requirements
1171 of the applicant. These apparatus requirements vary materially as to individual applicants and it is not practicable to establish rates to meet these varying requirements. For such systems, therefore, rates covering switchboards and associated apparatus will be quoted only when the apparatus requirements in individual cases have been determined.

Notes.

Commercial Trunks. In the foregoing schedules the trunk rates quoted for commercial message rate service are the rates and message allowances covering the first trunk connected. Additional trunks will be furnished at $3.00, per month per trunk but with no allowance in messages. The rate for each message is 3¢.

Station Mileage.—The rates quoted herein for stations connected with P. B. X. systems of the various classes are applicable to stations located in the same building containing the switchboard. A mileage charge of 63¢ per month per quarter mile or fraction thereof is made (except Class D systems) where the station is not located in the same building in which the switchboard is located.

Hotel Stations.—Under the rate of 50¢ herein quoted for stations connected with Hotel P. B. X. systems, the Hotel installs and maintains the inside wiring. Where the Company installs and maintains the wiring, the rate for each station is 75¢ per month.

Discounts.—All rates herein quoted and indicated by * are gross rates and are subject to a discount of 50¢ when bills are paid on or before the 10th day of the month.

1172 Louisiana.

Proposed Revision in Rates, Farmers' Line Development.

1. Farmers' Lines.

(*a*) Service Rate:

Under Present Practice the rate covering Farmer's Line service is based as follows:

Each Farmer's Line takes the Individual Line Business rate of the exchange with which connected, the minimum line guarantee being $3.00 with right to connect 6 stations; each station connected, in excess of 6 stations takes a rate equal to 1/6 of the guarantee. Therefore at Exchanges whose Business Individual Line rate is—

$3.00 or less,	Farmer's	Line	guarantee	$3.00	ea.	sta.	in	excess	of	6, 50¢.
$3.25	"	"	"	$3.25	"	"	"	"	"	6, 54¢.
$3.50	"	"	"	$3.50	"	"	"	"	"	6, 58¢.
$4.00	"	"	"	$4.00	"	"	"	"	"	6, 67¢.
$4.50	"	"	"	$4.50	"	"	"	"	"	6, 75¢.

Under Proposed Practice the minimum line guarantee is to be $4.50.

Thus: At Exchanges where Business Individual Line rate is—$4.50 or less, Farmers Line guarantee $4.50 each Sta. in excess of 6.75, the resultant increase would be:

At Exchanges	of	the	$3.00	or	less	rate	class,	increase	25¢	per station.
"	"	"	$3.25	rate	class,	increase			21¢	" "
"	"	"	$3.50	"	"	"			17¢	" "
"	"	"	$4.00	"	"	"			8¢	" "
"	"	"	$4.50	"	"	"			none.	

1173 The application of this proposed new rate covering Farmers Line service is estimated to produce $9,429.00 increase in annual revenue on development as of Sept. 1, 1920 in Louisiana.

(*b*) Mileage Charges:

Under present practice the Telephone Company provides the pole line and circuits from the Central Office to an agreed upon junction point at the boundary of the base rate area or the corporate limits in case the corporate limits extend beyond the base rate area. Pole lines and circuits beyond the limits specified above are furnished, owned and maintained by the subscribers, except that if facilities are available, circuits may be leased from the Telephone Company at $2.50 per annum per quarter mile or fraction thereof.

No change is proposed in the practices regarding the furnishing and ownership of facilities, but it is proposed that where circuits are leased from the Telephone Company the rate shall be $5.00 per annum per quarter mile or fraction thereof.

The application of this proposed mileage charge is estimated to produce $995.00 on development as of Sept. 1, 1920 in Louisiana.

2. Farmers' Exchanges.

(a) Service Rate:

Under present practice the rate covering Farmers Exchange service is based as follows:

Each Farmers Exchange trunk line takes a rate equal to double the Individual Line Business rate of the exchange with which connected, the minimum trunk rate being $6.00 per month. Therefore: At Exchanges where the Business Individual Line Rate is;

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$3.00	or less,	Farmer's	Exchange	Trunk	Rate	is $6.00.
$3.25	"	"	"	"	"	6.50.
$3.50	"	"	"	"	"	7.00.
$4.00	"	"	"	"	"	8.00.
$4.50	"	"	"	"	"	9.00.

Under proposed practice the minimum trunk guarantee is to be $9.00.

Thus: At Exchanges where the Business Individual Line Rate is $4.50 or less the Farmers Exchange Trunk Rate will be $9.00.

The resultant increases will be:

At Exchanges of		$3.00	or less	rate	class,	increase	$3.00	per	trunk.		
"	"	"	3.25	"	"	"	"	"	2.50	"	"
"	"	"	3.50	"	"	"	"	"	2.00	"	"
"	"	"	4.00	"	"	"	"	"	1.00	"	"
"	"	"	4.00	"	"	"	"	"	None.		

The application of this proposed new rate covering Farmers Line Trunks is estimated to produce $378.00 increase in annual revenue on development as of Sept. 1, 1920 in Louisiana.

(b) Mileage Charges:

Under present practice the Telephone Company provides the pole line and circuits from the Central Office to an agreed upon junction point at the boundary of the base rate area or the corporate limits in case the corporate limits extend beyond the base rate area. Pole lines and circuits beyond the limits specified above are furnished, owned and maintained by the subscribers, except that if facilities are available, circuits may be leased from the Telephone Company at $2.50 per annum per quarter mile or fraction thereof.

1175 No change is proposed in the practices regarding the furnishing and ownership of facilities, but it is proposed that where circuits are leased from the Telephone Company the rate shall be $5.00 per annum per quarter mile or fraction thereof.

The application of this proposed mileage charge will produce $540.00 increase in revenue on development as of Sept. 1, 1920 in Louisiana.

1175½ No. 95. U. S. District Court, Eastern District of Louisiana, Baton Rouge Division. Filed June 23, 1922.
(Sd.) H. J. CARTER,
Clerk.

1176 HOXSEY EXHIBIT No. 15.

Filed June 23, 1922.

Hoxsey Exhibit 15, Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Company.

State of Louisiana.

Effect of Increase of Exchange Rates in 1919.

	Main stations, excluding New Orleans and Shreveport.	Subscribers' monthly station revenue, excluding New Orleans & Shreveport.	Average revenue per main station.
Dec. 22, 1918	$21,878	$50,482	$2.31
Dec. 22, 1919	23,843	66,530	2.79
Increase in subscribers' station revenue per main station per month			$0.48
Annual subscribers' station revenue as of December 22, 1918 = $50,482 × 12			$605,784
Annual subscribers' station revenue New Orleans and Shreveport December 22, 1918			1,326,720
			$1,932,504
Increase in subscribers' station revenue due to increase in rates 21,878 × 0.48 × 12 =			126,017
Percentage of increase to subscribers' station revenue for State			6.52%
Percentage subscribers' station revenue to exchange revenue			91.51%
Percentage increase to exchange revenue 6.52% × .9151 =			5.97%

1177 HOXSEY EXHIBIT No. 16.

Filed June 23, 1922.

Hoxsey Exhibit 16. Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Company, Inc.

State of Louisiana.

Effect of Increase in Toll Rates in 1919.

	Old rates.			New rates, 11 mos., Feby. to Dec., incl. 1919.	Assumed normal increase per message.	Assumed inc. per message due to new rates.
	Year 1916.	Year 1917.	Year 1918.			
Revenue	$763,736	$916,778	$968,095	$1,264,810	.....	.....
Messages	2,113,085	2,425,829	2,469,199	2,300,037	.....	.....
Ave. per Message	$0.361	$0.377	$0.394	$0.549	.....	.....
Increase per Message over preceding period..	.....	.016	0.23	.154	$0.019	$0.133

Percentage shown in last column to Revenue per Message in 1918.... 34.36%

1178 HOXSEY EXHIBIT No. 17-a.

Filed June 23, 1922.

Hoxsey Exhibit "17-a." Filed 12/15/20. (Signed) H. J.

Cumberland Telephone & Telegraph Company, Inc.

State of Louisiana.

Comparison of Increases in Railroad and Express Rates With Past and Proposed Increases in Telephone Rates in Louisiana.

Average rate per passenger mile, year 1919.....	2.538	cents
Average rate per passenger mile, year 1920.....	2.090	"
Increase	0.448	"
Percentage of increase.....	21.43%	
Increase effective August 26, 1920, 20% apply 20% to 121.43 to obtain percentage which last increase bears to 1917 rates.....	24.28%	
Total percentage of increase in passenger rates since 1917, not including extra fare with Pullman tickets	45.71%	
Average rate per ton mile 1919.....	0.972	cents
Average rate per ton mile 1917.....	0.715	"
Increase	0.257	"

Percentage of increase	35.94%
Increase effective August 26, 1920, in Western Territory 35%, in Southern Territory 25%, for intergroup through rates 33⅓%, average for Louisiana approximately 33⅓%. Apply 33⅓% to 1.3594 to obtain percentage which last increase bears to 1917 rates	45.31%
Total increase in Freight Rates since 1917	81.25%
Gross Rail passenger traffic 1917 for class I R. R's. was $825,211,539. Total increase 45.71% =	$377,204,194
Gross Rail freight traffic 1917 for Class I R. R's. was $2,819,965,215. Total increase @ 81.25%	2,291,221,737
Total authorized increase Louisiana, basis on volume of 1917 traffic	$2,668,425,931
Total 1917 Class I Rail passenger and freight traffic	$3,644,176,754
Composite percentage of total increase	73.22%

1179 HOXSEY EXHIBIT No. 17 (*b*)

Filed June 23, 1922.

Hoxsey Exhibit 17 (*b*). Filed 12/15/20.

Cumberland Telephone & Telegraph Company, Inc.

State of Louisiana.

Comparison of Increases in Railroad and Express Rates with Past and Proposed Increases in Telephone Rates in Louisiana (Continued).

Express Rate Increase July 1, 1918 (50 I. C. C. 385-396)	10%
" " " Jan. 1, 1919 (Genl. Order 2056)	14%
" " " 1920 (58 I. C. C. 281-297)	12½%
" " " 1920 (At. Journal 9-25-20)	13½%

Cumulative effect of above increases:

1st Increase	10.00%
2nd Increase, 14% of 110% =	15.40%
Total of first two Increases	25.40%
3rd Increase, 12½% of 125.4% =	15.675%
Total of first three Increases	41.075%
4th Increase, 13½% of 141.075% =	19.045%
Total percentage increase since 1917	60.12%

Telephone Rates.

Percentage 1919 Increase in Exchange Rates to Exch. Rev. (See Hoxsey Exhibit 15)	5.97%
Proposed Increase in Exchange Rates (Hoxsey Exhibit 13) = 21.84%. Apply this to 105.97 to obtain percentage which proposed increase bears to 1918 rates =	23.14%
Total percentage increase in Exchange Revenue heretofore granted and now applied for	29.11%
Percentage Increase in Toll Rates, heretofore granted (See Hoxsey Exhibit 16)	34.26%
Gross Exchange Revenue in Louisiana, 1918 was $2,171,468. Total Increase 29.11%	$632,114.
Gross Toll Revenue, Louisiana, 1918 was $958,330. Total Increase 34.26%	328,324.
Total Increases granted and asked for, basis 1918 business	$960,438.
Total 1918 Exchange and Toll Revenue	$3,129,798.
Composite percentage of Toll Increase	30.69%

Comparison.

Total Percentage Increase in Revenue from Increased Rates.

Railroads (Louisiana basis)	73.22%
Express	60.12%
Cumberland Telephone in Louisiana	30.69%

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Hoxsey Exhibit No. 18.

Filed June 23, 1922.

Hoxsey Exhibit 18. Filed 12/15/20. (Signed) H. J.

Southern Bell Telephone and Telegraph Company.

State of Louisiana.

List of All Eight Per Cent Stocks (Other Than Preferred and Railroad Stocks) Dealt in on the New York Stock Exchange, Week Ending Sept. 25, 1920, with Closing Prices as of That Date, Prices and Earnings on Basis of $100 Shares.

Corporation.	Closing price.	Earnings per share, 1919.
Famous Players-Lasky Co.....	71.38	Not given.
American Agricultural Chem.....	84.88	7.89%
American Bank Note Company..	94.	20.40%
American Beet Sugar.....	79.	14.17%
American Tel. and Tel.	98.25	10.04%
Barrett Company	134.25	10.30%
Chicago Pneumatic Tool	80.	7.59%
Chatt, Peabody and Co.	70.	25.89%
Con. Gas, Elec. L. & P. Co., Baltimore	109.75	8.20%
Crucible Steel	130.12	31.30%
Detroit Edison	91.	9.93%
Diamond Match	118.	12.81%
General Chemical Company.....	155.	10.80%
Kayser (Julius) & Co.....	95.	19.90%
May Dept. Stores.....	74.	24.92%
Nat Elevator Co.	129.25	19.00%
Pacific Development Corp.....	64.	4.55%
Pressed Steel Car Co.....	94.25	27.12%
Pullman Co.	111.50	10.61%
Ry. Steel Spring Co.....	95.	16.70%
Sears Roebuck & Co.	132.00	24.40%
Union Bag & Paper	85.	16.80%
United Drug	110.	14.42%
U. S. Ind. Alcohol	83.50	10.00%
U. S. Rubber Co.	81.88	17.50%
Woolworth (F. W.) Co.	109.50	17.11%
	25/2,509.13	25/392.35%
Average per $100. Share	100.37	15.69%
Percentage Average Earnings to Average Price..		15.63%

1181 No. 1.

EXHIBIT McCALLUM.

Filed June 23, 1922.

Cumberland Telephone & Telegraph Company.

Orleans.

	Value returned by company.	Value established by State board of affairs
1918	$2,480,322.00	$3,400,206.00
1919	3,079,513.00	3,943,357.00
1920	3,459,281.00	4,352,727.00

1182 EXHIBIT McCALLUM.

Filed June 23, 1922.

Cumberland Telephone & Telegraph Company.

Louisiana.

	Value returned by company.	Value established by State board of affairs
1918	6,477,401.00	$8,967,328.00
1919	6,889,060.00	9,165,224.00
1920	7,374,927.00	9,524,212.00

(Here follows Sweeney's Exhibit No. 1, marked page 1183.)

SWEENEY'S EXHIBIT No. 1.

Filed Jun. 23, 1922.

Exhibit No. 1, Sweeney.

	July, 1920.							October, 1920.							February, 1921.						
	Rice.	Coffee.	Beans.	Butter.	Wheat.	Corn.	Oats.	Rice.	Coffee.	Beans.	Butter.	Wheat.	Corn.	Oats.	Rice.	Coffee.	Beans.	Butter.	Wheat.	Corn.	Oats.
Rice:																					
Fancy-Price per Pound								8¼¢							3½¢						
Choice	13-11/16¢							7¼							3⅛						
Medium								5½							2¢						
Coffee:																					
Rio 7		13¼¢							7⅝¢							7¼¢					
Santos 4		21¢							13¢							10⅞¢					
Beans:																					
Northern White			8¼¢							7⅜¢							5½¢				
Northern Red Kidney			16¢							17¢							11¼¢				
Lima			12¼¢							10½¢							7¼¢				
Pink			8¢							7¢							7¢				
Butter:																					
Choice Creamery				60¢							64½¢							53¢			
Fancy Creamery				57¢							65½¢							53¢			
Fancy Dairy											51¢							44¢			
Choice Dairy				49¢							50¢							43¢			
Wheat:																					
December Wheat, Per bu.					2.74														1.72		
March Wheat,												2.07									
Corn:																					
December Corn, Per bu.						156⅞¢															
May Corn													95¼¢							71¢	
Oats:																					
December Oats, Per Bu.							83¢														
May Oats														61⅝¢							46¢

[Endorsed:] Sweeney #1. Filed 2/26/1921. #95. U. S. District Court, Eastern District of Louisiana, Baton Rouge Division. Filed Jun. 23, 1922. (Sd.) H. J. Carter, Clerk.

1184 SWEENEY'S EXHIBIT 2.

Filed Jun. 23, 1922.

Exhibit No. 2.

Cotton: Spot, Middling.

	July 1st.	July 15th.	October 1st.	February 1st.	February 23rd.
Per Pound.....	39½¢	39¢	23¢	13¾¢	12 62/100¢

[Endorsed:] Sweeney #2. Filed 2/26/21. No. 95. U. S. District Court, Eastern District of Louisiana, Baton Rouge, Division. Filed Jun. 23, 1922. (Sd.) H. J. Carter, Clerk.

EXHIBIT 3, SWEENEY.

1185

Filed Jun. 23, 1922.

Mill Supplies and Materials.

Price per 100 Pounds.

	July.	Feb.
Nails	$5.50 top price	$3.25 (F. O. B. Factory)
Galvanized Sheets	$8.50 base	5.20 " "
Iron Bars	3.75 "	2.35 " "
Wire Rope (Plow Steel)	25% discount	30% discount
Brass valves	31% " (Crane Co.)	55% " (Crane Co.)
Wheelbarrows #236	$10.07 per dozen (Fairbanks Mk.)	7.20 per doz.
Shovels	16.30 " " " "	16.30 " "
Picks	25% discount	30% discount
Manilla Rope	26½¢ lb.	19½¢ lb.

[Endorsed:] Sweeney #3. Filed 2/26/1921. No. 95. U. S. District Court, Eastern District of Louisiana, Baton Rouge, La. Filed June 23, 1922. (Sd.) H. J. Carter, Clerk.

1186 EXHIBIT, KING 1.

Filed June 23, 1922.

Memorandum Prepared by C. A. Stair, General Manager Cumberland Telephone & Telegraph Co., Lake Charles, La.

Forecast of Telephone Development and Investment.

The present investment of the Telephone Company in each city in which it operates is based upon thorough detailed studies made from time to time by trained forces constantly engaged in such work. Without such studies, the Telephone Company would have no basis upon which to properly distribute the wire, plant or to economically locate the necessary buildings to house the switchboard and other central office equipment.

In 1917 such a study was made of Lake Charles in order that we might obtain the necessary data upon which to forecast the future telephone needs, based upon the number, character, distribution and occupation of the population, and in turn to obtain the data upon which to base plans for providing the additional facilities required, as well as to ascertain the approximate cost of same.

Based upon the data obtained in this study, we estimated the population of Lake Charles in 1917 to be 13,000, and the population of the telephone exchange area, which includes territory outside but adjacent, to be 16,000. We estimated that the population of Lake Charles in 1920 would be 14,000, and the exchange area 17,500. The 1920 census gave Lake Charles a population of 13,088 which shows that our estimate of growth was a little too high, but from
1187 the standpoint of an estimate for all practical purposes approximately correct.

Lake Charles Telephone Area.

The city of Lake Charles, with a population of 13,088 is not the whole telephone service area, in the service area are included Westlake and all populated areas lying immediately beyond and adjacent to the city limits. This entire area has conservatively a population at the present time of 16,500 people.

The population of this area in 1930 is estimated to be 22,500.

Forecast of Service Requirements.

Based upon our 1917 study of the character and occupation of the population, we are of the opinion that the 1,530 telephone stations which were served through the Lake Charles Exchange at that time did not represent as high a percentage of development as should be obtained. The ratio of stations to the people was 1 to 10.4 which was relatively a low development. A ratio of 1 to 9 we considered more in keeping with the character of the city. However, the

Telephone Company was meeting the demand for additional telephones, and had a reasonable surplus of central office and outside plant facilities.

In 1920 the number of telephone stations served through the Lake Charles exchange has increased to above 1,700, producing a ratio of stations to people of 1 to 9.4. This development is a
1188 compliment to your City, and shows a relatively large purchasing power of your citizenship, and that the demand for telephone service has been greater than we expected, and has used up our surplus plant, and in the face of this fact there is yet an unfilled demand for service which would require the addition of over 200 more stations if facilities were available.

This fact shows great improvement in the character and purchasing power of the population, as well as that the relative cheapness of telephone service compared with the cost of everything else has reflected itself in an increased demand.

In 1930 we forecast a population of approximately 22,500 people, and the need for 2,800 telephone stations, or a ratio of 1 to 8.

These facts show remarkable change in the use of telephone service by the Lake Charles population—an improvement of approximately 25% in need for and apparent ability to purchase the service—which indicated renewed, and, we believe, continued prosperity.

Central Offices.

The present office quarters and equipment at Lake Charles is too small and inadequate to care for the growing telephone needs of the city.

In 1921 a lot will be purchased for the erection of a fire-proof building which will be begun in 1922 and finished in 1923
1189 and in 1923 an entirely new installation of machine switching equipment is to be installed. By that time all plant facilities inside and out which we have at present and for which we have estimates outstanding will have been exhausted.

The new equipment which this continued growth will require, and our plans contemplate, must be housed in non-combustible building, not only because of the great investment contained in it, but also that the service, upon which the community is so dependent will not be liable to serious interruption by fire.

From the knowledge that the Telephone Company has gained by these studies, and the plans projected upon the basis of the data thus obtained, we know now that if this contemplated growth is realized, and we confidently expect it will, that the fundamental parts of the enlarged structure to meet this ultimate need must be begun at an early date, and added to from year to year until the ultimate completed plant is in use.

Although the tentative date of 1930 is set when we will be confronted with rendering service to 2,800 telephones in Lake Charles, it may take even 12 to 13 years to accomplish the task of providing the equipment and facilities to furnish this service. If the estimate is attained in ten years, it will be much to the credit of Lake Charles, but will add greatly to the difficulty of the task.

1190 Outside Plant.

To connect the stations to the new central office equipment will require a minimum of 2,400 pairs of wires. These wires, made of copper, will be assembled in cables ranging from 50 to 2,400 wires per cable, making altogether over 25 miles of cable. The great majority of this cable will be upon aerial routes through the outlying sections of the city, but it is contemplated that all through the business section radiating from the location of the new central office, the main cable runs will be underground.

Program.

The foregoing is a brief outline of some of the problems confronting us in Lake Charles. Even if the Telephone Company could provide the plant all at once for this forecasted development, it would not be justified, because large quantities of equipment and outside plant, representing large investments, would be idle for indefinite periods; but ever- step which we take from now on must essentially be part of a comprehensive plan so shaped that the plant will be installed as fast as needed, and that the final result will be and efficient and economical system.

The plans for the next five years include the erection of a new building, the installation of a complete machine switching equipment and the enlargement of the exchange aerial plant to serve an estimate of 2,501 stations by the close of 1925.

These additions and extensions to our property account in Lake Charles involved in the program mapped out for the years
1191 1921 to 1925, both inclusive, represent a gross expenditure of approximately $523,900, and if our forecast of 2,800 telephone stations is realized by 1930, we will have by that time expended approximately $600,000 to provide the necessary facilities to handle that number of telephones.

Our plans are actively under way for carrying out this five year program. The work in this period will lay the foundation for a full mechanically operated plant, which will only be necessary to add to from year to year.

Mechanical System.

The operations of making connections between subscribers' lines for the purpose of local communications, now done by human hands, have grown so enormously in volume that even at the present time, through the wonderful engineering development of the art, much of the operations are in a sense autom-ically performed. It is now possible to construct central office equipments which will perform all the operations necessary for a connection between local subscribers' lines—this equipment in telephone terms known as "mechanical equipment," but sometimes called "Automatic equipment." These machines, when congregated in a building in amount proportionate to the service demands, constitute what we term a mechanical system.

They represent a very large investment—in fact, about double the present type of equipment, which types are operated by young women. The mechanical systems largely dispense with the
1192 services of young women, but still large numbers would be required for special forms of service or for special operating conditions. The rapidly increasing cost of the wage payroll for manually operated system is one justification for the introduction of the mechanical system. Another justification is the large number of young women that would be required in future to render service to 2,800 telephones, and more with the present type of equipment.

For the 1,757 present stations in the Lake Charles Exchange there were employed on October 1st, 1920, 20 local service operators and 18 long distance operators, a total of 38, which is exclusive of students being trained to fill such positions and supervisory female forces.

Due to the telephone traffic which grows with the need for service and the area over which the service is furnished and the increasing business interests of the city handled over the telephone, there is no reason to believe that fewer operators will be required proportionately when 2,800 stations are reached.

As the losses from the female force are large and the causes justify us in knowing that these losses will continue large, our problem will not be one of what to do with the young women on the payroll, but rather a continuing one of keeping the necessary number recruited up to the strength required.

To those who have not actually struggled with these problems, however, mere written words must give but a faint conception of
1193 the strain and pressure under which the energies of the loyal men and women of this Company have been directed toward the fulfillment of their high purpose—the uninterrupted maintanence of a great public service.

To their achievement, which has been nothing short of marvelous, the management points with the greatest pleasure and pride.

No less do we thank our patrons and the general public for their sympathy, patience and co-operation, and we earnestly trust and believe that this spirit and these friendly relations will continue as we strive to solve the problem involved in fulfilling our service problems.

All of these plans looking to a greater Lake Charles with adequate and efficient telephone service, upon which its future growth is so vitally dependent, are predicated upon the abiding faith in the willingness of the telephone patrons to pay such rates for its service as will enable the Company to raise the necessary large sums of new capital involved in carrying through this comprehensive program for the city.

Filed Jun. 13, 1922.

Authority.	Subject.	Date of high point.	Highest figure.	Latest figure.	Date of latest figure.
(1)	Wholesale Prices.....	May, 1920.	272	189	December, 1920.
(2)	Wholesale Prices.....	Feb., 1920.	20,869	12,663	January, 1920.
(3)	Wholesale Prices.....	May, 1920.	182.9	141.1	January, 1920.
(4)	Retail Prices.....	July, 1920.	219	178	December, 1920.
(5)	Food, Cost of Living....	June, 1920.	330	184	February, 1921.
(6)	Employment	Jan., 1920.	9,400,000	6,070,000	January, 1921.
(7)	Building	April, 1920.	113,000,000	39,000,000	December, 1920.
(8)	Business Failures.....	Jan., 1920.	569	1,895	January, 1921.
(9)	Steel, Unfilled Tonnage..	March, 1920.	11,000,000 tons	7,600,000 tons	January, 1921.
(10)	Idle Cars.....	Aug., 1920.	124,226 shortage	286,462 surplus	January, 1921.

(1) U. S. Bureau of Labor Statistics published in the Commercial and Financial Chronicle, Jul/24/1920 and Jan./22/1921.
(2) Bradstreets.
(3) Federal Reserve Bank of New York, as contained in monthly review, January 31st, 1921.
(4) U. S. Bureau of Labor Statistics, as published in the Commercial & Financial Chronicle, January 22nd, 1921.
(5) Annalist—Published by N. Y. Times, date of February 14, 1921, page 236.
(6) U. S. Bureau of Labor Statistics, the figure for January, 1920, is used although the figures for February and March were somewhat higher. This statement is contained in the Commercial and Financial Chronicle of date February 5th, 1921, in Section II, page 12.
(7) Babson's Chart—The figures in the instance represent millions of dollars and are for twenty cities.

EXHIBIT No. 1—HEARSEY.—*Continued.*

(8) R. G. Dun—The first figure is the lowest in years.
(9) From an article in "Iron Age," quoted in the Commercial and Financial Chronicle, January 5th, 1921, Section II, Page 13, and Commercial Column of Times-Picayune, January 11th, 1920.
(10) Babson Chart.

Bank Debits, New Orleans.

January, 1920.	$386,916,000.00	January, 1920.
January, 1921.	302,105,000.00	January, 1921.

Sugar, White Granulated, Price per Pound.

July 1st, 1920—24¢. October 1st, 1920—12-74/100¢. February 24th 1921—7¢

Lumber.

Month.	Year.	Articles.	Price per M feet.
March 20,	1920	376	$71.10
July 10,	1920	355	51.28
Nov. 10th,	1920	360	47.70
Oct. 10th,	1920	363	41.95
Dec. 10th,	1920	376	40.67
Jan. 10th,	1920	370	36.92
Jan. 31st,	1921	361	31.89

Filed Jun. 23, 1922.

Comparative Telephone Rates.

City.	Flat rate, business.	Flat rate, residence.	Subscribers.	Population.
Los Angeles.....	Individual $6.25 per month, wall, $6.75 desk set. Suburban 10-party line, $3.	Individual $2.50 per per month for wall set; $2.75 for desk. Surburban 10-party line, $2.50 month.	144,377	578,680
Newark	All on measured service rate.	Straight line, $48 a year; Auxiliary $36.	24,814	415,000
Kan. City, Mo.....	$8.00 per month.	$3.50 per month.	105,000 stations, including Kan. City, Kan.	325,000
Seattle	Wall set $8.50 per month. Desk $8.75. Measured service $6.50 month, 130 calls. Excess calls 4¢.	Wall set $3.75 month; desk $4. 2-party line $3 and $3.25; four-party line $2.50 and $2.75.	74,897	315,000

Comparative Telephone Rates.—Continued.

City.	Flat rate, business.	Flat rate, residence.	Subscribers.	Population.
Providence, R. I....	Measured service straigh line, $3.50 a month, 70 messages; 2-party line, $3.00, sixty messages — Extra calls 3½¢ down 3¼¢, all local service.	$3.50 a month unlimited service. $3 for 2-party line.	34,489	296,000
Portland, O.....	$8.00 per month.	$2.50 per month	56,000	258,000
Louisville, Ky.....	(1) $7 a month, to Jan. 1, 1922. (2) $4 a month.	(1) $3.50 a month straight line, $2.50 a month, 2-party line, to Jan. 1, 1922. $2, $3 and $3.50 by zones.	(1) 11,817 (2) 16,000	 250,000
Akron, O.....	Straight line $75 a year; 2-party line, 63; 4-party, $51.	Straight line $39 a year; 2-party line $33 a year; 4-party line, $27 a year.	Not given.	207,000

[Endorsed:] No. 95. U. S. District Court, Eastern District of Louisiana, Baton Rouge Division. Filed Jun. 23, 1922. (Sd.) H. J. Carter, Clerk.

(1) Cumberland Telephone and Telegraph Co.
(2) Louisville Home Telephone Co.
(Louisville Home Telephone Co. now asking for a new franchise with rates as follows: business houses, $6.00 a month; unlimited residence service—straight line $3.50 per month, and unlimited 2-party line, $2.50 a month.)

1195½ EXHIBITS WOLFF FROM 1 TO 48, BOTH INCLUSIVE.

Filed June 23/22.

Louisiana Telephone Case.

Mark Wolff and Associates,
Certified Public Accountants,
949 Broadway, New York.

1196 EXHIBIT No. 1.

Louisiana Telephone Case.

Qualifications—Mark Wolff.

Certified Public Accountant—New York State 1911.
Graduate New York University 1910, Degree: B. C. S.
1911-1912 employed by two firms of Certified Public Accountants as a member of staff.
January 1913—February 1918; Employed by City of New York as fifth grade accountant (highest in service) Office title: Chief of Costs and Statistics Division, Department of Water Supply, gas and electricity.
Duties and work done: January 1st, 1913 to October 1914, preparation of income statements showing revenues and expenses of the Water Department, the largest in the World, prepared for the first time in history.
Separate reports prepared for each of the fifty-five pumping stations operated within the Greater City.
October 1914 to May 1916 audited and made analysis of the books of seven private water companies operating in certain districts of New York City, for the purpose of readjustment of their rates and the establishment of a basis for possible purchase by the City.
(Paper prepared at request of American Water Works Association "Interpretation of Water Accounts" read before New York Convention and "Pumping Station Cost and Efficiency Records" year later at Richmond, Va. Convention.)
June 1916 to December 1917: Investigated and analyzed records of principal public utility service corporations operating in New York City. Among these were:
New York Edison Company.
New York & Queens Electric Light & Power Co.
Queensborough Gas & Electric Company.
Flatbush Gas Company.
Bronx Gas & Electric Company.
Consolidated Telegraph & Electrical Subway Company.
Empire City Subway Company (the conduit Company in whose ducts cables of the Telephone Company are laid.)

Interborough Rapid Transit & Brooklyn Rapid Transit Systems (Operating results under Subway Contracts with City of New York.)

New York Telephone Company 1916-1917.

February 1918 to present time: In practice as a Certified Public Accountant devoting myself almost exclusively to Public Utility Rate cases. Some of the cases worked on during the past three years are:

Public Service Railway Company (most extensive work, involving study into accounts of 119 underlying companies; testimony eleven full Court days on direct, and four days on cross examination.)

(On behalf of New Jersey State League of Municipalities in 1918, and City of Newark, Jersey City and associated Municipalities in 1919.)

Montreal Water & Power Company.—Town of Outremont, Montreal.

Michigan Railway Company.—City of Kalamazoo, Michigan.

Scranton Railway Company.—City of Scranton, Pa.

Port Richmond & Bergen Point Ferry Company, County of Hudson, N. J.

Hudson & Manhattan Railroad Company—City of Jersey City and City of Hoboken, N. J.

Public Service Railway Company, Public Service Gas Company and Public Service Electric Company, (assessment for tax purposes, City of Newark, N. J.

New York Telephone Company.

The data for articles published in New York World in 1918.

The data for articles published in New York World in 1919.

(Which were instrumental in obtaining eight per cent reduction for the City.)

Syracuse Telephone Case—City of Syracuse.

Buffalo Telephone Case, City of Buffalo.

New York Telephone Case—New York City.

Meridan Gas Light Company—City of Meridan, Conn.

Meridan Electric Light Company—City of Meridan, Conn.

Alabama Telephone Case, Cities of Birmingham, Mobile & Montgomery.

Mississippi Telephone Case—Attorney General of Mississippi.

Louisiana Telephone Case—City of New Orleans, La.

Wrote book on Accounting and Bookkeeping—published by Civil Service Chronicle, New York City. In addition did statistical research work in re public utilities for Bureau of Standards at Washington and qualified as valuation analyst for Interstate Commerce Commission.

(Here follow Wolff Exhibits marked pages 1197–1215, inclusive.)

Cumberland Telephone & Telegraph Company.

Comparative General Balance Sheet from 1913–1919, *Inclusive.*

(Balances as of December 31st Each Year.)

Assets Side.

Investment.	1913.	1914.	1915.	1916.	1917.
101 Fixed Capital Installed Prior to January 1, 1913	$28,457,134.19	$26,636,919.05	.....	.....	.....
101 Fixed Capital Installed since December 31, 1912	3,598,063.29	7,345.761.03	.....	.....	.....
Total Investment in Fixed Capital	$32,055,197.48	$33,932,680.08	$31,631,112.77	$32,748,810.34	$34,705,047.03
104 Construction Work in Progress	596,602.36	59,885.71	210,315.61	371,422.38	587,106.14
105 Investment Securities (Total Book Assets at Close of Year)	211,579.87	223,200.00	2,068,900.00	2,881,371.79	2,881,963.45
110 Advances to System Corporations for Construction, etc. (Total Book Assets at Close of Year)	517,945.51	517,945.51	517,945.51	61,112.41	99,236.73
111 Miscellaneous Investments	.....	111,649.63	266,790.62	282,793.37	282,762.12
Total Investment	$33,381,325.22	$34,895,360.93	$34,695,064.51	$36,345,510.29	$38,556,115.47
Working Assets and Accrued Income:					
112 Cash and Deposits	$432,943.48	$389,716.84	$389,380.94	$824,567.14	$904,188.46
115 Employees Working Funds (Total Book Assets at close of Year)	249,679.53	85,225.80	86,547.69	134,524.76	148,455.63
116 Marketable Securities	1,410.00	2,690.10	68,502.99	14,362.21	128,448.31
117 Bills Receivable	16,245.03	1,388,502.77	1,210,627.74	64,399.94	19,014.39
118 Due from Subscribers and Agents	772,644.08	649,917.67	545,132.50	578,776.81	696,986.81
119 Accounts Receivable from System Corporations	54,922.86	20,639.99	236,257.37	66,124.03	41,659.19
120 Miscellaneous Accounts Receivable	40,215.18	58,763.56	80,650.36	62,954.77	60,836.37
121 Matured Interest and Dividends Receivable	462.01	.....	.....	.....	.....
122 Materials and Supplies	818,056.08	413,519.57	342,149.96	314,710.16	720,563.93
123 Other Current Assets	.....	5,036.64	.....	.....	.....
124 Unmatured Interest, Dividends & Rents Receivable	4,100.00	4,100.00	5,105.55	10,598.05	3,847.51
Total Working Assets and Accrued Income	$2,390,678.25	$3,018,112.94	$2,964,305.10	$2,271,017.87	$2,721,800.60
Deferred Debit Items:					
x125 Sinking Fund Assets (Total Book Assets at Close of Year) ($200,895.78)	$171,127.84	$179,258.04	$160,895.78	$204,636.43	.....
128 Prepayments	55,518.75	16,202.70	36,308.95	57,619.14	$57,691.95
135 Unamortized debt discount and expenses	28,555.53	27,379.36	26,311.22	25,004.60	23,754.38
136 Other Suspense	.....	780.85	7,672.62	9,980.23	4,303.97
Total Deferred Debit Items	$255,202.12	$223,620.95	$261,188.57	$297,240.40	$85,750.30
Grand Total	$36,027,205.59	$38,137,094.82	$37,920,558.18	$38,913,768.56	$41,363,666.37

Notes Taken from Company's Annual Reports:

1914—Note—Figures on lines 7 and 14 do not agree with those on the General Ledger, due to error in classification not discovered until at the time this report was prepa
1915—x—Note—Total Book Assets at Close of Year $200,895.78—Respondents' own issues $10,000.00.
1916—x—Note— " " " " " " " " 245,936.43— " " " " 41,000.00.
1919—Note—Schedules 200-A and 200-L, Pages 200 and 201.

The data entered in column (*a*) should be construed only as a statistical presentation of financial data comparable with similar data shown in previous reports and wit
Control Contract under which this company was operated. They should not be construed as showing a Balance Sheet of the Company (i. e., the corporation) as of January
The data in column (*c*) represents the Balance Sheet of the Company as of December 31, 1919 and include adjustments incident to Federal Control.
The data in column (*d*) are merely the difference between columns (*a*) and (*c*) and should not be construed as representing the net changes in the Balance Sheet Acco
year ended December 31, 1919.

Cumberland Telephone & Telegraph Company.

Comparative General Balance Sheet from 1913–1919, *Inclusive.*

(Balances as of December 31st Each Year.)

Assets Side.

Investment.	1913.	1914.	1915.	1916.	1917.	1918.	1919.
101 Fixed Capital Installed Prior to January 1, 1913	$28,457,134.19	$26,636,919.05	.....	.....	.....	.....	.....
101 Fixed Capital Installed since December 31, 1912	3,598,063.29	7,345,761.03	.....	.....	.....	.....	.....
Total Investment in Fixed Capital	$32,055,197.48	$33,932,680.08	$31,631,112.77	$32,748,810.34	$34,705,047.03	$36,684,587.51	$40,018,372.79
104 Construction Work in Progress	596,602.36	59,885.71	210,315.61	371,422.38	587,106.14	326,934.64	281,168.18
105 Investment Securities (Total Book Assets at Close of Year)	211,579.87	223,200.00	2,068,900.00	2,881,371.79	2,881,963.45	2,991,963.45	3,002,750.61
110 Advances to System Corporations for Construction, etc. (Total Book Assets at Close of Year)	517,945.51	517,945.51	517,945.51	61,112.41	99,236.73	97,236.73	88,236.73
111 Miscellaneous Investments	.....	111,649.63	266,790.62	282,793.37	282,762.12	121,641.19	121,321.19
Total Investment	$33,381,325.22	$34,895,360.93	$34,695,064.51	$36,345,510.29	$38,556,115.47	$40,222,363.52	$43,511,849.50
Working Assets and Accrued Income:							
112 Cash and Deposits	$432,943.48	$389,716.84	$389,380.94	$824,567.14	$904,188.46	$729,348.96	$897,987.75
115 Employees Working Funds (Total Book Assets at close of Year)	249,679.53	85,225.80	86,547.69	134,524.76	148,455.63	220,112.25	150,983.76
116 Marketable Securities	1,410.00	2,690.10	68,502.99	14,362.21	128,448.31	79,083.88	17,370.00
117 Bills Receivable	16,245.03	1,388,502.77	1,210,627.74	64,399.94	19,014.39	19,484.75	12,947.67
118 Due from Subscribers and Agents	772,644.08	649,917.67	545,132.50	578,776.81	696,986.81	778,369.98	915,651.02
119 Accounts Receivable from System Corporations	54,922.86	20,639.99	236,257.37	66,124.03	41,659.19	47,909.58	361,320.01
120 Miscellaneous Accounts Receivable	40,215.18	58,763.56	80,650.36	62,954.77	60,836.37	126,065.50	112,534.52
121 Matured Interest and Dividends Receivable	462.01	.....	.....	.....	.....	.....	.....
122 Materials and Supplies	818,056.08	413,519.57	342,149.96	314,710.16	720,563.93	1,027,821.91	1,008,227.07
123 Other Current Assets	.....	5,036.64	.....	.....	.....	.....	.....
124 Unmatured Interest, Dividends & Rents Receivable	4,100.00	4,100.00	5,105.55	10,598.05	3,847.51	9,222.00	11,881.57
Total Working Assets and Accrued Income	$2,390,678.25	$3,018,112.94	$2,964,305.10	$2,271,017.87	$2,721,800.60	$3,034,418.81	$3,488,903.37
Deferred Debit Items:							
x125 Sinking Fund Assets (Total Book Assets at Close of Year) ($200,895.78)	$171,127.84	$179,258.04	$160,895.78	$204,636.43	.....	.....	.....
128 Prepayments	55,518.75	16,202.70	36,308.95	57,619.14	$57,691.95	$75,260.69	$86,712.35
135 Unamortized debt discount and expenses	28,555.53	27,379.36	26,311.22	25,004.60	23,754.38	22,488.46	83,639.14
136 Other Suspense	.....	780.85	7,672.62	9,980.23	4,303.97	132,425.20	49,771.37
Total Deferred Debit Items	$255,202.12	$223,620.95	$261,188.57	$297,240.40	$85,750.30	$230,174.35	$220,122.86
Grand Total	$36,027,205.59	$38,137,094.82	$37,920,558.18	$38,913,768.56	$41,363,666.37	$43,486,956.68	$47,220,875.73

Notes Taken from Company's Annual Reports:

1914—Note—Figures on lines 7 and 14 do not agree with those on the General Ledger, due to error in classification not discovered until at the time this report was prepared.
1915—x—Note—Total Book Assets at Close of Year $200,895.78—Respondents' own issues $10,000.00.
1916—x—Note— " " " " " " " " 245,936.43— " " " 41,000.00.
1919—Note—Schedules 200-A and 200-L, Pages 200 and 201.

The data entered in column (*a*) should be construed only as a statistical presentation of financial data comparable with similar data shown in previous reports and without consideration of the Federal Control Contract under which this company was operated. They should not be construed as showing a Balance Sheet of the Company (i. e., the corporation) as of January 1, 1919.

The data in column (*c*) represents the Balance Sheet of the Company as of December 31, 1919 and include adjustments incident to Federal Control.

The data in column (*d*) are merely the difference between columns (*a*) and (*c*) and should not be construed as representing the net changes in the Balance Sheet Accounts of the Company during the year ended December 31, 1919.

Cumberland Telephone & Telegraph Company.

Comparative General Balance Sheet, 1913 *to December* 31, 1919, *Inclusive.*

(Balances as of December 31st Each Year.)

Liabilities Side.

	Stocks:	1913.	1914.	1915.	1916.	1917.	1918.	1920.
150	Capital Stock (Book Liability at close of year)	$11,080,150.00	$11,080,150.00	$11,080,150.00	$11,080,150.00	$11,080,150.00	$11,080,150.00	$14,773,450.00
	Long-term Debt:							
x153	Funded Debt (Book Liability at close of year)	15,935,000.00	21,935,000.00	21,925,000.00	15,894,000.00	15,239,000.00	15,226,500.00	15,644,500.00
155	Advances from System Corporations (Book Liability at close of year)	3,702,650.00	.....	.....	6,342,650.00	7,634,650.00	3,437,650.00	7,878,980.38
	Total Long-term Debt	$19,637,650.00	$21,935,000.00	$21,925,000.00	$22,236,650.00	$22,873,650.00	$18,666,150.00	$23,523,480.38
	Working Liabilities and Accrued Liabilities:							
157	Bills Payable	.....	.....	.....	.....	$16,980.00	$6,091,241.64	$50,000.00
158	Audited Vouchers and Wages Unpaid	$29,750.41	$7,235.81	$9,908.53	$17,473.15	8,115.87	19,868.05	54,515.72
160	Accounts Payable to System Corporations	257,305.48	155,774.30	283,018.13	292,476.51	928,759.44	464,335.01	642,031.77
161	Miscellaneous Accounts Payable (Book Liability at close of year)	104,791.68	84,668.90	82,768.10	81,212.95	58,428.93	75,718.33	88,011.18
162	Matured Interest, Dividends & Rents Unpaid (Book Liability at close of year)	47.50	431.93	710.30	12,938.30	16,691.30	28,089.30	11,282.80
164	Service Billed in Advance	10,427.86	22,700.98	37,427.80	14,512.25	30,271.09	24,797.38	30,366.20
165	Other Current Liabilities	.....	.....	1,295.60	.....	45,510.29	341.11	341.11
166	Taxes Accrued	15,371.50	18,714.00	.....	4,465.00	155,652.90	145,895.50	152,232.38
167	Other Accrued Liabilities Not Due	1,580.27	13,563.24	30,370.73	404,330.12	498,015.47	761,448.20	583,264.33
	Total Working Liabilities and Accrued Liabilities	$419,274.70	$303,089.16	$445,499.19	$827,408.28	$1,758,425.29	$7,611,734.52	$1,612,045.49
	Deferred Credit Items:							
102	Reserve for Accrued Depreciation	$4,031,824.06	$4,084,953.31	$3,620,505.30	$3,767,215.24	$4,290,708.25	$4,951,567.94	$5,988,634.02
103	" " Amortization of Intangible Capital	.....	.....	.....	.....	.....	6,815.10	15,493.17
169	Insurance and Casualty Reserves	44,764.29	50,743.47	52,571.94	67,014.97	64,674.75	70,921.82	83,408.44
170	Liability on account of provident funds	150,000.00	150,000.00	150,000.00	152,325.45	155,000.00	155,000.00	155,000.00
170a	Other Deferred Credit Items	.....	.....	.....	549.00	5,641.14	6,511.99	2,280.37
	Total Deferred Credit Items	$4,226,588.37	$4,285,696.78	$3,823,077.24	$3,987,104.66	$4,516,024.14	$5,190,816.85	$6,244,816.00
	Unappropriated Surplus:							
174	Corporate Surplus Unappropriated (Credit Balance)	$663,542.52	$533,158.88	$ 46,831.75	$782,455.62	$1,135,416.94	$938,105.31	$1,067,083.86
	Grand Total	$36,027,205.59	$38,137,094.82	$37,920,558.18	$38,913,768.56	$41,363,666.37	$43,486,956.68	$47,220,875.73

Notes Taken from Annual Reports:

1915—Note—Line 20, column (*c*) does not include the amounts shown on lines 1 and 2 column (*e*) of schedule 261M for reasons outlined in note on page 230.

1915 x Note—Book Liability at close of year $21,935,000.00; Portion held by or for respondent $10,000.00.

1918—Note—The data entered in these schedules should be construed only as a statistical presentation of financial data comparable with similar data shown in previous reports, and without consideration of the Federal Control Contract under which this Company is being operated. The data should be construed as showing a Balance Sheet of the Company (corporation) as of December 31, 1918.

1919—Note—The amounts appearing on lines 24 and 25, column (*a*) do not agree with corresponding entries in column (*e*) of last year's report because of a switch of $400.00 between the two accounts not discovered at the time the 1918 report was prepared.

Summary of Fixed Capital Showing Balance at the Close of Each Year, 1914–1919, Inclusive.

Name of account.	1914.	1915.	1916.	1917.	1918.	1919.
Franchises	$120.00	$620.00	$1,083.00	$1,083.00	$1,083.00	$1,021.05
Other Intangible Capital	21,992.36	2,062.74	2,436.81	3,443.27	13,076.81	13,777.35
Total Intangible Capital	$22,112.36	$2,682.74	$3,444.81	$4,526.27	$14,159.81	$14,798.40
Right of Way	$629,704.51	$585,332.54	$593,934.04	$604,235.41	$607,332.69	$607,858.19
Land	538,550.48	449,305.28	453,231.77	458,125.88	467,600.28	505,115.07
Buildings	810,759.66	698,885.97	751,211.38	1,488,310.46	1,581,157.05	1,688,571.16
Total Land and Buildings	$1,349,310.14	$1,148,191.25	$1,204,443.15	$1,946,436.34	$2,048,757.33	$2,193,686.23
Central Office Telephone Equipment	$3,389,237.17	$3,092,751.03	$3,219,104.07	$3,381,217.23	$3,987,848.76	$4,639,765.78
Other Equipment of Central Offices	41,368.16	49,819.25	57,020.77	78,083.17	76,112.03	103,919.79
Total Central Office Equipment	$3,430,605.33	$3,142,570.28	$3,276,124.84	$3,459,300.40	$4,063,960.79	$4,743,685.57
Station Apparatus	$1,371,104.77	$1,277,244.31	$1,399,949.12	$1,494,543.32	$1,625,416.94	$1,880,110.40
Station Installations	806,733.61	679,841.68	670,277.32	651,745.91	670,461.63	755,237.86
Interior Block Wires	82,716.25	88,411.20	93,983.03	97,310.05	102,917.14	113,267.38
Private Branch Exchanges	160,416.05	162,514.14	173,989.31	192,189.26	214,296.04	261,406.75
Booths and Special Fittings	87,907.61	85,780.54	90,480.98	97,140.08	100,033.10	98,417.64
Total Station Equipment	$2,508,878.29	$2,293,791.87	$2,428,679.76	$2,532,928.62	$2,713,124.85	$3,108,440.03
Exchange Pole Lines	$6,668,141.27	$6,051,672.83	$5,938,471.37	$5,918,778.15	$5,945,723.08	$6,093,662.98
Exchange Aerial Cables	5,592,129.13	5,299,681.62	5,661,501.97	5,924,082.63	6,092,265.71	6,341,412.07
Exchange Aerial Wire	2,869,508.43	2,652,176.07	2,680,625.98	2,688,236.26	2,738,788.41	2,892,389.74
Exchange Underground Conduits	1,130,781.70	1,087,550.30	1,165,433.37	1,205,567.42	1,277,880.46	1,400,598.40
Exchange Underground Cables	1,475,678.00	1,341,247.80	1,438,258.58	1,523,703.91	1,595,402.06	1,695,200.20
Exchange Submarine Cables	35,157.30	41,412.92	45,738.57	46,890.39	49,725.36	65,543.38
Toll Pole Lines	4,059,231.70	3,868,852.56	3,982,520.61	4,176,782.81	4,384,973.47	4,712,841.61
Toll Aerial Cables	7,339.68	13,306.88	15,298.75	20,900.57	33,573.75	94,285.88
Toll Aerial Wire	3,613,399.37	3,515,916.98	3,669,150.28	3,829,991.13	4,214,187.68	4,568,422.92
Toll Underground Cable	47,058.53	43,863.49	50,655.93	56,108.74	74,763.60	77,644.30
Toll Underground Conduit	166.46	.....	.....	177.84	801.79	1,104.24
Toll Submarine Cable	87,868.75	89,002.45	92,506.52	100,399.91	103,174.14	101,441.74
Office Furniture and Fixtures	151,027.10	124,862.71	127,942.70	148,600.80	163,261.93	197,779.30
General Stable and Garage Equipment	145,981.84	161,643.14	167,280.63	180,589.25	248,031.01	344,459.08
General Tools and Implements	69,393.25	69,063.88	94,353.23	116,399.68	120,738.93	141,155.05
Total General Equipment	$366,402.19	$355,569.73	$389,576.56	$445,589.73	$532,031.87	$683,393.43
Interest during Construction	$89,206.94	$96,269.46	$112,445.25	$150,070.24	$191,322.13	$217,303.29
Unappraised Property Purchases	.....	2,017.00	.....	70,340.26	2,636.53	404,660.19
Total	$33,982,680.08	$31,631,112.77	$32,748,810.34	$34,705,047.03	$36,684,587.51	$40,018,372.79

Cumberland Telephone & Telegraph Company.

Comparative Statement of Fixed Capital, 1914–1919, *Inclusive.*

	Balance at beginning of year.	Charges for capital added during year.	Credits made during year. Charged to reserve for depreciation.	Charged to reserve for amortization of intangible capt'l.	Charged to corporate surplus or deficit.	Charged to other accounts (see detailed statement).	Balance at close of year.
1914.....	$32,055,197.48	$3,900,759.84	$833,538.30	$113.63	.....	$1,139,625.31	$33,982,680.08
1915.....	33,982,680.08	2,015,091.23	1,364,815.63	.....	$565.70	3,001,277.21	31,631,112.77
1916.....	31,631,112.77	2,988,289.90	851,334.52	.....	3,136.28	1,016,121.58	32,748,810.54
1917.....	32,748,810.34	3,662,785.03	693,545.97	.....	126.53	1,032,875.84	34,705,047.03
1918.....	34,705,047.03	3,524,438.67	756,177.17	.....	.....	788,721.02	36,684,567.51
1919.....	36,684,587.51	5,066,952.62	815,544.56	642.25	3,289.63	913,490.90	40,018,372.79

Cumberland Telephone & Telegraph Company.

Supporting Details of Cumberland Telephone & Telegraph Company, Comparative Statement of Fixed Capital, 1914–1919, *Inclusive.*

Column "Charged to Other Accounts."

Description.	1914.	1915.	1916.	1917.	1918.	1919.
Salvage on Plant Dismantled	$513,720.78	$608,382.32	$666,872.07	$633,832.55	$467,262.19	$542,526.74
Selling Price of Plant Sold	.....	13,392.67	15,790.15	.....	.....	.....
Wiring Loss in Connection with Station Changes	322,474.60	267,736.20	278,237.76	293,272.54	235,871.99	251,756.96
Fire Losses not covered by Insurance	.....	13,124.54	.....	.....	.....	.....
Transfers to other accounts from Unappraised Property Purchased Account	.....	1,438.76	2,017.00	82,041.84	70,340.26	.....
Transfer from Land Account to Miscellaneous Investment Account, lot in Memphis, Tenn., Valued at	.....	83,454.79	.....	.....	.....	.....
Value of all Fixed Capital transferred to the Southern Telephone Company of Indiana, less the amount of Depreciation Reserve accrued on same	.....	1,794,766.38	.....	.....	.....	.....
Value of all Fixed Capital transferred to the Christian-Todd Telephone Company, less the amount of Depreciation Reserve accrued	.....	134,150.04	.....	.....	.....	.....
Corrections of classifications of charges made prior to December 31, the major portion of which affects other Fixed Capital Accounts	38,831.83	34,831.51	7,573.48	5,385.87	9,192.23	101,743.01
Selling Price of Right of Way Sold and "Interest during Construction" relinquished through sales of Property	.....	.....	359.60	.....	.....	.....
Selling Price of land Sold	.....	.....	1,517.14	.....	.....	.....
Fire Losses Charged to Account 169	.....	.....	.....	18,343.04	6,054.35	3,890.19
Fire Losses Charged to Account 169 (Insurance and Casualty Reserve) of the amount shown $20,276.70 was transferred from the Reserve for Accrued Depreciation, the balance being charged direct to Account 169	.....	.....	43,754.33	.....	.....	.....
Credits to Intangible Capital and Land Accounts not reflected through the Depreciation Reserve	.....	.....	.....	.....	.....	13,572.00
Tranfers from Land and Building to Miscellaneous Investments properties which is not now used for Telephone purposes	111,649.63	.....	.....	.....	.....	.....
Installed since Dec. 31, 1912. This amount represents corrections of classifications of charges made prior to December 31, 1913, the most of which are offset by charges to various Plant accounts included in amount shown as charges for Capital added during year	152,948.47	.....	.....	.....	.....	.....
Total	$1,139,625.31	$3,001,277.21	$1,016,121.53	$1,032,875.84	$788,721.02	$913,490.90

Cumberland Telephone and Telegraph Company.

Summary of Investment in Securities of Affiliated Telephone Companies, December 31, 1919.

Name of issuing company and description of security held.	Pledged.		Unpledged.		Income derived.			Extent of control.
	Par value.	Book value.	Par value.	Book value.	Rate.	Amount of dividends.	Amount of interest.	
Southern Telephone Co. of Indiana, 18,612 shares Common Stock	$1,791,500.00	$1,791,500.00	$69,000.00	$69,000.00		None	None	99.96%
Christian-Todd Telephone Co.,								
7,960 Shares Common Stock	17,500.00	10,842.70	181,500.00	112,577.80		None	None	96.05%
24,331 Shares Preferred Stock	570,850.00	569,023.68	37,425.00	37,106.00	2%	$12,165.50	None	81.07%
Southern Bell Telephone & Telegraph Co. of Kentucky, 850 Shares Common Stock	.....	.....	85,000.00	76,013.27		None	None	100%
Total	$2,379,850.00	$2,371,366.38	$372,925.00	$294,697.07		$12,165.50	None	.....

Cumberland Telephone & Telegraph Company.

Balance Sheet, October 31, 1920.

Assets.	At end of month.	Increase or decrease over December 31st.
Intangible Capital (201 to 204)	$40,787.91	$23,334.02
Right of Way (207)	625,198.06	6,978.90
Land and Buildings (211, 212)	2,345,490.14	151,803.91
Central Office Equipment (221, 222)	5,129,311.58	381,698.29
Station Equipment (231 to 235)	3,584,658.80	467,435.65
Exchange Lines (241 to 246)	19,349,041.82	828,374.18
Toll Lines (251 to 256)	10,441,549.19	821,451.14
Other Plant (268, 270, 280)	812,414.26	190,450.78
General Equipment (261 to 265)	858,910.22	174,846.41
Total Fixed Capital	$43,187,361.98	$3,046,373.28
Construction Work in Progress (104)	396,302.14	115,073.47
Investment Securities (106 to 109)	1,061,478.68	1,865,258.66*
Advances to System Corporations for Constr., etc. (110)	21,000.00	43,000.00*
Miscellaneous Investments	100,395.56	20,925.63*
Total Permanent and Long Term Investments	$44,766,538.36	$1,232,262.46
Cash and Deposits (113, 114)	738,346.81	161,855.16*
Marketable Securities (116)	19,220.00	1,850.00
Bills Receivable	58,278.61	45,330.94
Accounts Receivable (115, 118 to 121, 123)	1,179,969.54	356,238.53*
Materials and Supplies (122 less 122-10)	1,088,938.95	75,043.74
Total Working Assets	$3,084,753.91	$395,869.01*
Accrued Income not Due (124)	$9,027.68	$2,853.89*
Sinking Fund Assets (125)	.....	.....
Prepayments (129 to 133)	$99,739.06	$12,321.80
Unamortized Debt Discount and Expense (135)	79,878.75	3,760.39*
Other Deferred Debits (126, 127, 136)	460,337.52	409,679.44
Total Deferred Debit Items	$639,955.33	$418,240.85
Total Assets	$48,500,275.28	$1,251,780.41
Liabilities.		
Capital Stock Com. (150-01) (Authorized ——— —, ———)	$14,773,400.00	$50.00*
Stock Liability for Conversion of Securities (151)	50.00	50.00
Capital Stock Installments (150-04)	.....	.....
Total Capital Stock	$14,773,450.00	.....
Premiums on Capital Stock	.....	.....
Funded Debt (153)	$15,385,000.00	$259,500.00*
Advances from System Corporations for Constr., etc. (155)	8,848,480.38	969,500.00
Total Long Term Debt	$24,233,480.38	$710,000.00
Bills Payable (157)	$35,000.00	$15,000.00*
Accounts Payable (158 to 165)	464,747.51	364,338.25*
Total Working Liabilities	$499,747.51	$379,338.25*
Accrued Liabilities not Due (166, 167)	$766,644.56	30,698.90
Unextinguished Premium on Debt (168)	.....	.....
Insurance and Casualty Reserves (169)	90,339.14	6,930.70
Liability for Employees' Benefit Fund (170-01, 170-02)	136,604.08	13,845.92*
Liability on Account of other Provident Funds (170 less 01 & 02)	5,000.00	.....
Other Deferred Credit Items (170-A)	31,961.37	29,681.00
Total Deferred Credit Items	$263,904.59	$22,765.78
Reserve for Accrued Depreciation (102)	$7,302,991.81	$1,293,118.14
Reserve for Amortization of Intangible Capital (103)	17,213.12	.....
Total Fixed Capital Reserves	$7,320,204.93	$1,293,118.14
Undivided Profits, 1920	$424,920.96*	$424,920.96*
Appropriated Surplus (171 to 173)	.....	.....
Corporate Surplus Unappropriated (174, 137)	$1,067,764.27	543.20*
Total Surplus and Undivided Profits	$642,843.31	$425,464.16*
Total Liabilities	$48,500,275.28	$1,251,780.41

*Represents a decrease.

Cumberland Telephone & Telegraph Company.

Comparative Income Account from 1914–1919, Inclusive.

	1914.	1915.	1916.	1917.	1918.	1919.
I. Operating Income:						
300 Telephone Operating Revenues	$8,048,334.03	$7,880,374.30	$8,485,198.68	$89,219,954.08	$9,817,846.95	$12,052,647.46
301 Telephone Operating Expenses	5,650,949.04	5,204,880.22	5,677,079.86	6,246,130.66	7,285,673.09	9,461,166.16
Net Telephone Operating Revenue	$2,397,404.99	$2,675,494.08	$2,808,118.82	$2,973,823.42	$2,532,173.86	$2,591,481.30
304 Uncollectible Operating Revenues	$72,000.00	$103,200.00	$52,119.25	$36,232.04	$25,848.97	$26,996.29
305 Taxes Assignable to Operations	524,868.18	525,567.02	561,469.93	632,709.16	670,070.30	830,776.21
Deductions from Net Operating Revenues	$596,868.18	$628,767.02	$613,589.18	$668,941.20	$695,919.27	$857,772.50
Operating Income	$1,800,536.81	$2,046,727.06	$2,194,529.64	$2,304,882.22	$1,836,254.59	$1,733,708.80
II. Non-Operating Income:						
311 Miscellaneous Rent Revenues	$10,979.64	$8,131.04	$8,525.53	$8,497.16	$11,426.41	$10,901.25
312 Dividend Revenues	11,153.00	11,742.00	12,492.00	13,367.50	25,119.50	27,495.00
313 Interest Revenues	123,512.51	106,201.84	41,435.41	46,110.25	65,775.04	62,144.29
314 Sinking & Other Reserve fund accretions	8,130.20	9,139.17	9,738.89	9,850.00	.....	.....
316 Miscellaneous Non-Operating Revenues	1,776.09	3,878.22	1,852.19	2,734.30	3,762.20	3,751.04
Total Non-Operating Revenues	$155,551.44	$139,092.27	$74,044.02	$80,559.21	$106,083.15	$104,291.58
320 Rent Expense	.....	355.73	470.42	343.84	604.14	78.78
321 Miscellaneous Non-Operating Expense	.....	721.85	*663.60	14.25	1.05	.....
Total Non-Operating Expense	.....	$1,077.58	*$193.18	$361.09	$605.19	$78.78
322 Non-operating Taxes	$1,502.21	$3,835.23	$5,226.39	$4,673.60	$6,268.00	$5,327.38
323 Uncollectible Non-operating Revenues	242.06	239.10	276.46	470.80	231.77	681.41
Deductions from Non-Operating Revenues	$1,744.27	$5,151.91	$5,309.67	$5,505.49	$7,104.96	$6,067.57
Non-Operating Income	$153,807.17	$133,940.36	$68,734.35	$75,053.72	$98,978.19	$98,204.01
Gross Income	$1,954,343.98	$2,180,667.42	$2,263,263.99	$2,379,935.94	$1,935,232.76	$1,831,912.81
III. Deductions from Gross Income:						
331 Rent Deductions for Telephone Offices	$93,857.66	$84,694.96	$80,403.14	$75,898.25	$75,109.47	$79,783,51
332 Rent " for conduits, poles & other supports	30,075.39	36,257.02	39,081.98	41,076.65	53,378.32	72,926.47
334 Miscellaneous Rent Deductions	16,327.55	20,007.23	27,787.55	24,295.63	27,301.31	27,460.48
335 Interest Deductions for Funded Debt	1,064,920.25	1,149,224.47	884,067.77	791,135.73	764,725.01	761,087.58
336 Other Interest Deductions	59,324.99	4,613.30	235,942.13	404,357.06	521,262.26	400,408.67
338 Amortization of Debt Discount and expenses	1,243.02	1,249.26	1,252.47	1,250.22	1,250.09	1,249.32
340 " of Landed Capital	.....	.....	.....	.....	6,445.28	9,047.89
341 Miscellaneous deductions from Income	3,480.78	4,042.87	3,983.36	7,027.10	8,467.19	10,228.93
Total Deductions from Gross Income	$1,269,229.64	$1,300,089.15	$1,272,518.40	$1,345,040.64	$1,457,938.93	$1,362,192.85
Net Income	$686,114.34	$880,578.27	$990,745.59	$1,034,895.30	$477,293.85	$469,719.96
IV. Disposition of Net Income:						
351 Dividend Appropriations of Income	664,809.00	664,809.00	664,809.00	664,809.00	477,293.85	469,719.96
Amount Transferred to Credit of Corporate Surplus	$20,305.34	$215,769.27	$325,936.59	$370,986.30	.....	.....

Notes Taken from Annual Reports:

1914 NOTE—The figures on line 15 will not agree with our General Ledger, due to an error in classification not discovered until at the time this report was made up. The offsetting charge adjusting this error appears on line 24 scheduel 310.

1916 NOTE—The red figure on line 23 column (*b*) is caused by adjustments this year of errors in classification made during 1915.

1918 NOTE—The data entered in this schedule should be construed only as showing a statistical presentation of Income Account items comparable with the data shown in previous annual reports, and without consideration of the Federal Control Contract under which this company is being operated. The data in this schedule does not constitute an Income Account statement of the company (corporation) for the year ended December 31, 1918.

1919 NOTE—The data entered in this schedule should be construed as showing only the statistical presentation of Income Account items comparable with the data shown in previous annual reports and without consideration of the Federal Control Contract under which this company was operated for the first seven months of the year. The data in this schedule does not constitute an Income Account Statement of the company (corporation) for the year ended December 31, 1919.

Cumberland Telephone & Telegraph Company.

Relation of Reserve for Accrued Depreciation, Book Cost New.

Date.	Book cost new.	Reserve for accrued depreciation.	% of reserve for accrued depreciation book cost new.
December 31st, 1913	$32,055,197.48	$4,031,824.08	12.5%
1914	33,982,680.08	4,084,953.31	12.0%
1915	31,631,112.77	3,602,505.30	11.5%
1916	32,748,810.34	3,767,215.24	11.5%
1917	34,705,047.03	4,290,708.25	12.1%
1918	36,684,587.51	4,951,567.94	13.5%
1919	40,018,372.79	5,988,634.02	15.0%
October 31st, 1920	43,187,361.98	7,302,991.81	16.9%

Cumberland Telephone & Telegraph Company.

Comparative Corporate Income Account for the Years Ending Dec. 31, 1918 and 1919.

(Excluding Federal Debits and Credits.)

Item.	1918.	1919.
I. Operating Income:		
300 Telephone Operating Revenues	$5,556,718.52	$5,434,322.16
301 " " Expenses	4,011,669.31	4,245,338.66
Net Telephone Operating Revenues	$1,545,019.21	$1,188,983.50
304 Uncollectible Operating Revenues	$14,439.99	$11,575.65
305 Taxes Assignable to Operations	418,697.35	312,546.53
Deductions from Net Operating Revenues	$433,137.34	$324,122.18
Operating Income	$1,111,881.87	$864,861.32
II. Non-Operating Income:		
310 Rent Revenues from Lease of Telephone Plant	*$817,215.96	†$1,184,594.49
311 Miscellaneous Rent Revenues	8,872.04	5,777.68
312 Dividend Revenues	25,119.50	27,495.00
313 Interest Revenues	47,774.86	47,002.06
316 Miscellaneous Non-Operating Revenues	2,954.70	1,200.93
Total Non-Operating Revenues	$901,937.06	$1,266,070.16
320 Rent Expense	$29.75	$26.14
Total Non-Operating Expense	$29.75	$26.14
322 Non-Operating Taxes	6,268.00	5,327.38
323 Uncollectible Non-Operating Revenues	192.32	58.55
Deductions from Non-Operating Revenues	$6,490.07	$5,412.07
Non-Operating Income	$895,446.99	$1,260,658.09
Gross Income	$2,007,328.86	$2,125,519.41
III. Deductions from Gross Income:		
331 Rent Deductions for Telephone Offices	$41,895.43	$33,144.60
332 " " for conduits, poles and other supports	37,040.29	38,872.50
334 Miscellaneous Rent Deductions	19,400.93	10,808.08
335 Interest Deductions for Funded Debt	764,725.01	761,087.58
336 Other Interest Deductions	518,916.85	402,737.00
338 Amortization of Debt, Discount and Expense	1,250.09	1,249.32
341 Miscellaneous deductions from Income	8,125.17	9,738.32
Total Deductions from Gross Income	$1,391,351.77	$1,257,637.40
Net Income	$615,977.09	$867,882.01
IV. Disposition of Net Income:		
351 Dividends Appropriation of Income	477,293.85	469,719.96
Amount Transferred to Credit of Corporate Surplus	$138,683.24	$396,162.05

*Includes Compensation—Account Government Contract for period August 1, 1918 to December 31, 1918—$817,215.96.
†Includes Compensation—Account Government Contract for period January 1, 1919 to July 31, 1919—$1,184,594.49.

Cumberland Telephone & Telegraph Company.

Comparison of Net Earnings in Various States of System, Year Ended July 31st, 1920.

	Company as whole.	Louisiana.	Company outside Louisiana.	Mississippi.	Company outside La. & Miss.
	1	2	3 (1—2)	4	5 (3—4)
Average Investment	$42,187,285	$11,219,033	$30,968,252	$7,307,505	$23,660,747
Gross Revenue	13,900,300	4,325,413	9,574,887	2,640,913	6,933,975
Total Expenses	12,207,041	3,661,612	8,545,429	2,336,763	6,208,667
Net Revenue	1,693,259	663,801	1,029,458	304,150	725,308
Per-cent., per annum of Net Earnings to Average Investment	4.01	5.92% 385.54	3.32% 309.18	4.16% 361.39	3.06% 293.05
Revenue per $1,000 of Investment	329.49%				

Cumberland Telephone & Telegraph Company.

Comparative Statement of Telephone Operating Revenues, 1914–1919, *Inclusive.*

Classes of telephone operating revenue.	1914.	1915.	1916.	1917.	1918.	1919.
I. Exchanges and Service Revenue:						
Subscribers Station Revenues	$5,631,724.22	$5,454,762.70	$5,638,425.19	$5,929,015.59	$6,162,293.10	$7,324,548.36
Public Pay Station Revenues	316,460.75	326,247.56	361,857.08	411,700.18	416,421.27	476,775.42
Service Stations	$139,841.08	$134,519.51	$140,047.13	$149,905.70	$156,865.80	$170,786.76
Private Exchange Lines	8,538.88	8,320.94	8,203.25	9,716.74	10,045.80	11,168.55
Minor Rents of Exchange Plant	20,159.81	29,103.47	30,635.53	34,741.60	44,780.30	44,658.00
Other Exchange Revenues	29.03	.....	.....	.....	.....	.....
Miscellaneous Exchange Service Revenues	$168,568.80	$171,943.92	$178,885.91	$194,364.04	$211,691.90	$226,613.31
Total Exchange Service Revenue	$6,116,753.77	$5,952,954.18	$6,179,168.18	$6,535,079.81	$6,790,406.33	$8,027,937.09
II. Toll Service Revenues:						
Message Tolls	$2,042,594.00	$2,052,255.75	$2,410,482.83	$2,855,712.64	$3,162,358.53	$4,172,821.38
Leased Toll Lines	35,093.38	21,850.45	60,039.77	41,183.71	43,892.88	47,140.28
Telegraph Tolls	38,473.29	29,038.82	17,618.98	*279.76	.....	6.40
Telegraph Service on Toll Lines	33,882.24	27,975.81	46,007.39	58,074.87	70,373.42	110,021.70
Minor Rents of Toll Plant	13,353.04	12,595.55	12,830.95	19,929.57	33,755.98	20,894.46
Miscellaneous Toll Line Revenues	$120,801.95	$91,440.64	$136,497.09	$118,908.39	$148,022.28	$178,062.84
Total Toll Service Revenues	$2,163,395.95	$2,143,696.39	$2,546,979.92	$2,974,621.03	$3,310,380.81	$4,350,884.22
III. Miscellaneous Operating Revenues:						
Messenger Service	$30,175.17	$25,852.66	$25,827.94	$126.65	$726.24	.....
Telegraph Commissions	12,193.04	11,957.33	13,121.82	17,533.38	25,424.83	$30,696.67
Other Telegraph Service Charges	5,875.44	2,124.02	530.07	14.29	*101.21	83.96
Advertising and Directory	56,873.34	57,274.40	61,579.46	76,480.13	82,861.55	106,360.36
Rents from Other Operating Property	1,924.91	12,552.30	8,379.52	7,618.74	12,366.55	22,023.91
Other Miscellaneous Revenues	19,941.16	19,101.33	18,516.21	16,930.53	31,002.14	30,922.31
Miscellaneous Direct Revenues	$126,983.06	$128,862.04	$127,955.02	$118,703.76	$152,280.10	$190,087.21
Licenses Revenues—Dr.	358,778.75	345,138.31	368,904.44	408,450.48	435,220.29	516,261.06
Total Miscellaneous Operating Revenues	*$231,795.69	*$216,276.27	*$240,949.42	*$269,746.76	*$282,940.19	*$326,173.85
Grand Total	$8,048,354.03	$7,880,374.30	$8,485,198.68	$9,219,954.08	$9,817,846.95	$12,052,647.46
Summary of Operating Revenues:						
Direct Operating Revenues	.....	$8,225,512.61	$8,854,103.12	$9,628,404.56	$10,253,067.24	$12,568,908.52
Licensee Revenues	.....	*345,138.31	*368,904.44	*408,450.48	*435,220.29	*516,261.06
Total	.....	$7,880,374.30	$8,485,198.68	$9,219,954.08	$9,817,846.95	$12,052,647.46
Average number of Company stations in service during year	203,778	196,108	200,442	209,680	214,115	223,125
Average exchange service revenues per Company station during the year	$30.02	$30.03	$30.82	$31.16	$31.71	$35.97
Average toll service revenues per Company station during the year	10.62	10.93	12.70	14.18	15.46	19.49
Average miscellaneous direct revenues per Co. station during the year	.62	.65	.63	.56	.71	.85
Total Direct Operating Revenues Per Company Station During the Year	$41.26	$41.61	$44.15	$45.90	$47.88	$56.31

NOTE.—Licensee Revenue—Agreement dated 10/6/1888, 6/1/1901 and modifications dated Nov. 21, 1902 and Dec. 16, 1912 between the American Bell Telephone Co. and the Cumberland Telephone & Telegraph Co. under which equipment and services are furnished and compensation is computed on specific items of revenue, 1914—4½% of $7,972,861.28 = $358,778.75; 1915—4½% of $7,680,740.20 = $345,138.31; 1916—4½% of $8,197,876.40 = $368,904.44.

*Designates red figure.

Cumberland Telephone and Telegraph Company.

Comparative Statement of Telephone Operating Expenses, 1913 *to* 1919, *Inclusive.*

Name of operating expense account.	1914.	1915.	1916.	1917.	1918.	1919.
I. Maintenance Expense:						
Supervision of Maintenance	$208,569.67	$194,790.95	$203,526.12	$222,226.31	$235,149.50	$290,141.50
Repairs of Aerial Plant	853,480.79	773,378.54	895,872.82	790,346.96	897,309.57	1,181,359.21
Repairs of Underground Plant	23,521.54	26,382.68	28,928.50	29,460.95	19,572.39	36,124.78
Repairs of Central Office Equipment	169,614.93	162,514.43	197,132.21	202,280.96	235,475.67	333,842.87
Repairs of Station Equipment	192,282.89	159,808.97	169,629.96	168,624.62	173,714.78	247,473.00
Repairs of Bldgs. and Grounds	11,917.35	10,914.84	9,880.96	19,792.58	28,941.47	43,469.67
Station removals and changes	314,335.79	216,819.42	220,055.16	231,640.72	191,223.64	218,057.92
Depreciation of Plant and Equipment	1,320,000.00	1,264,000.00	1,542,628.61	1,615,000.00	1,809,347.58	2,145,688.05
Other Maintenance Expense	.....	268.93	2,505.08	33,047.34	31,777.70	44,700.45
Repairs charged to Reserve Cr. (B)	333,254.25	284,531.32	431,323.32	263,713.66	255,682.38	82,195.66
Other Maintenance Expense	$2,760,468.71	$2,524,347.64	$2,838,836.10	$3,048,706.78	$3,366,829.92	$4,458,661.79
II. Traffic Expense:						
Traffic Superintendence	$133,216.80	$105,555.82	$113,872.88	$119,990.50	$122,249.23	$159,619.06
Service Inspection	7,571.23	8,732.30	12,176.69	11,053.11	11,690.64	14,046.57
Clerical Operating Wages	10,860.74	9,904.32	11,014.20	13,249.20	21,514.76	30,705.87
Central Office Superintendence	$151,648.77	$124,192.44	$137,063.77	$144,292.81	$155,454.63	$204,371.50
Operators' Wages	$1,046,962.72	$1,013,333.57	$1,057,462.04	$1,298,785.11	$1,767,896.56	$2,377,205.82
Rest and Lunch Rooms	$21,635.20	$25,053.93	$27,635.52	$34,937.62	$54,347.25	$75,037.98
Operators' Schooling	10,021.75	8,273.96	18,795.94	33,693.28	68,722.84	96,644.47
Transmission Power	96,556.97	90,370.77	106,513.91	100,479.69	111,820.09	149,896.68
Central Office Stationery and Printing	8,369.09	9,309.78	11,859.26	16,029.20	18,416.07	23,091.50
Messenger Service	33,186.39	29,538.58	28,660.62	3,674.40	5,303.58	4,429.51
Miscellaneous Central Office Expense	54,149.36	50,661.59	54,244.86	70,180.18	93,162.07	105,329.87
Total Central Office Supplies and Expenses	$223,918.69	$213,208.61	$247,710.11	$258,994.37	$351,771.90	$454,430.01
Pay Station Expenses	$25,499.48	$23,191.15	$25,062.68	$29,408.96	$38,819.14	$44,875.04
Other Traffic Expenses	14,228.95	40,128.23	49,679.71	61,180.87	74,574.71	84,679.46
Total Traffic Expenses	$1,462,258.61	$1,414,054.00	$1,516,978.31	$1,792,662.12	$2,388,516.94	$3,165,561.83
III. Commercial Expenses:						
Commercial Administration	$357,018.64	$332,560.38	$351,906.13	$385,900.74	$400,279.30	$496,749.92
Advertising	$49,914.69	$39,707.74	$37,861.82	$40,366.79	$37,447.10	$37,355.91
Canvassing	80,208.51	51,966.13	42,511.72	18,237.44	9,069.57	1,477.94
Sublicense Relations	6,799.06	4,046.33	3,300.60	3,407.19	1,970.76	3,153.21
Promotion Expense	$136,922.26	$95,720.20	$83,674.14	$62,011.42	$48,487.43	$41,987.06
Revenue Accounting	$140,153.34	$125,612.79	$124,244.35	$126,888.48	$157,403.58	$206,754.21
Revenue Collecting	206,202.53	200,631.26	200,166.82	220,417.69	258,336.25	318,812.95
Pay Station Commissions	82,884.66	80,719.53	93,361.96	109,366.92	138,192.30	166,373.46
Total Collection Expenses	$429,240.53	$406,963.58	$417,773.13	$456,673.09	$553,932.13	$691,940.62
Directory Expenses	$85,413.79	$78,141.05	$82,420.42	$97,124.03	$91,157.68	$106,484.36
Other Commercial Expenses	1,194.98	1,105.15	1,521.38	2,389.21	3,587.99	3,164.76
Total Commercial Expenses	$1,009,790.20	$914,490.36	$937,295.20	$1,004,098.49	$1,097,444.53	$1,340,326.72
IV. General and Miscell. Expenses:						
Salaries of General Officers	$50,949.77	$51,590.55	$51,803.59	$49,413.36	$46,681.34	$44,585.88
Salaries of General Office Clerks	61,082.94	51,700.35	46,854.69	44,894.42	44,708.18	58,022.86
Total General Office Salaries	$112,032.71	$103,290.90	$98,658.28	$94,307.78	$91,389.52	$102,608.74

Supervision of Maintenance	$208,869.61	$194,450.63	$205,929.12	[illegible]	897,303.67	1,181,359.21
Repairs of Aerial Plant	853,480.79	773,378.54	895,872.82	790,346.96	19,572.39	36,124.78
Repairs of Underground Plant	23,521.54	23,382.68	28,928.50	29,460.95	235,475.67	333,842.87
Repairs of Central Office Equipment	169,614.93	162,514.43	197,132.21	202,280.96	173,714.78	247,473.00
Repairs of Station Equipment	192,282.89	159,808.97	169,629.96	168,624.62	28,941.47	43,469.67
Repairs of Bldgs. and Grounds	11,917.35	10,914.84	9,880.96	19,792.58	191,223.64	218,057.92
Station removals and changes	314,335.79	216,819.42	220,055.16	231,640.72	1,809,347.58	2,145,688.05
Depreciation of Plant and Equipment	1,320,000.00	1,264,000.00	1,542,628.61	1,615,000.00	31,777.70	44,700.45
Other Maintenance Expense	.....	268.93	2,505.08	33,047.34	255,682.38	82,195.66
Repairs charged to Reserve Cr. (B)	333,254.25	284,531.32	431,323.32	263,713.66		
Other Maintenance Expense	$2,760,468.71	$2,524,347.64	$2,838,836.10	$3,048,706.78	$3,366,829.92	$4,458,661.79
II. Traffic Expense:						
Traffic Superintendence	$133,216.80	$105,555.82	$113,872.88	$119,990.50	$122,249.23	$159,619.06
Service Inspection	7,571.23	8,732.30	12,176.69	11,053.11	11,690.64	14,046.57
Clerical Operating Wages	10,860.74	9,904.32	11,014.20	13,249.20	21,514.76	30,705.87
Central Office Superintendence	$151,648.77	$124,192.44	$137,063.77	$144,292.81	$155,454.63	$204,371.50
Operators' Wages	$1,046,962.72	$1,013,333.57	$1,057,462.04	$1,298,785.11	$1,767,896.56	$2,377,205.82
Rest and Lunch Rooms	$21,635.20	$25,053.93	$27,635.52	$34,937.62	$54,347.25	$75,037.98
Operators' Schooling	10,021.75	8,273.96	18,795.94	33,693.28	68,722.84	96,644.47
Transmission Power	96,556.97	90,370.77	106,513.91	100,479.69	111,820.09	149,896.68
Central Office Stationery and Printing	8,369.09	9,309.78	11,859.26	16,029.20	18,416.07	23,091.50
Messenger Service	33,186.39	29,538.58	28,660.62	3,674.40	5,303.58	4,429.51
Miscellaneous Central Office Expense	54,149.36	50,661.59	54,244.86	70,180.18	93,162.07	105,329.87
Total Central Office Supplies and Expenses	$223,918.69	$213,208.61	$247,710.11	$258,994.37	$351,771.90	$454,430.01
Pay Station Expenses	$25,499.48	$23,191.15	$25,062.68	$29,408.96	$38,819.14	$44,875.04
Other Traffic Expenses	14,228.95	40,128.23	49,679.71	61,180.87	74,574.71	84,679.46
Total Traffic Expenses	$1,462,258.61	$1,414,054.00	$1,516,978.31	$1,792,662.12	$2,388,516.94	$3,165,561.83
III. Commercial Expenses:						
Commercial Administration	$357,018.64	$332,560.38	$351,906.13	$385,900.74	$400,279.30	$496,749.92
Advertising	$49,914.69	$39,707.74	$37,861.82	$40,366.79	$37,447.10	$37,355.91
Canvassing	80,208.51	51,966.13	42,511.72	18,237.44	9,069.57	1,477.94
[illegible]	[illegible]	4,046.33	3,300.60	3,497.19	1,970.38	8,452.38
Other Commercial Expenses	1,194.98	1,105.15	1,521.38	2,389.21	3,587.99	3,164.76
Total Commercial Expenses	$1,009,790.20	$914,490.36	$937,295.20	$1,004,098.49	$1,097,444.53	$1,340,326.72
IV. General and Miscell. Expenses:						
Salaries of General Officers	$50,949.77	$51,590.55	$51,803.59	$49,413.36	$46,681.34	$44,585.88
Salaries of General Office Clerks	61,082.94	51,700.35	46,854.69	44,894.42	44,708.18	58,022.86
Total General Office Salaries	$112,032.71	$103,290.90	$98,658.28	$94,307.78	$91,389.52	$102,608.74
Expenses of General Officers and Clerks	16,043.70	15,962.61	16,091.21	20,044.85	16,073.02	11,228.23
General Office Stat'n'ry & Printing	6,082.22	4,256.69	4,159.27	4,394.45	4,583.14	4,664.97
Other General Office Supplies and Expenses	6,581.76	3,863.65	7,058.82	7,732.80	8,039.81	8,609.12
Total General Office Supplies and Expenses	$28,707.68	$24,082.95	$27,309.30	$32,172.10	$28,695.97	$24,502.32
General Law Expenses	$72,426.43	$46,586.94	$72,011.77	$44,564.74	$53,509.33	$85,187.24
Insurance	42,000.00	42,000.00	44,649.36	48,000.00	51,528.35	60,000.00
Accidents and Damages	53,052.22	43,342.80	38,170.97	22,432.75	21,380.05	28,710.01
Law Expenses connected with damages	17,700.42	12,131.46	9,568.51	11,963.91	12,799.61	14,121.94
Relief Department and Pensions	54,134.32	64,726.39	65,733.73	101,758.05	126,900.06	118,771.33
Telephone Franchise Requirements	33,019.63	25,098.35	26,829.37	24,107.70	23,698.49	26,185.69
Amortization of Franchise & Patents	.....	.....	.....	.....	25.80	36.12
Other General Expenses	37,776.94	16,161.28	27,513.33	45,272.69	46,416.77	62,558.12
Telephone Franchise Requirements Cr.	32,418.83	25,432.85	26,474.37	23,916.45	23,462.25	26,065.69
Miscellaneous General Expense	$92,512.06	$80,553.17	$93,602.06	$147,221.99	$173,578.87	$181,485.57
Total General Expenses	$418,431.52	$351,988.22	$383,970.25	$400,663.27	$432,881.70	$496,615.82
Grand Total	$5,650,949.04	$5,204,880.22	$5,677,079.86	$6,246,130.66	$7,285,673.09	$9,461,166.16

Cumberland Telephone & Telegraph Company.

Increases in Operating Expenses, Exclusive of Depreciation, Louisiana Compared with Territory Outside of Louisiana, Calendar Year 1915 Compared with Year Ended July 31st, 1920.

Company as a Whole:	Dec. 31st, 1915.	July 31st, 1920.	Increase. Amount.	Increase. % %.
Ordinary Repairs and rearrangements	$1,043,528.22	$2,382,450.71	$1,338,922.49	128.83
Station Removals and Changes	216,819.42	244,197.01	27,377.59	12.63
Traffic	1,414,054.00	3,656,038.86	2,241,984.86	158.55
Commercial	914,490.36	1,466,181.00	551,690.64	60.33
General and Miscellaneous	351,988.22	586,662.42	234,674.20	166.67
Total Expenses, Exclusive of Depreciation	$3,940,880.22	$8,335,530.00	$4,394,649.78	111.53
State of Louisiana:				
Ordinary Repairs and Rearrangements	$195,583.62	$670,781.13	$475,197.51	242.35
Station Removals and Changes	40,438.78	66,279.51	25,840.73	60.50
Traffic	338,241.55	1,070,077.68	731,836.13	216.57
Commercial	280,609.85	499,480.44	218,870.59	77.94
General and Miscellaneous	72,080.50	149,813.77	77,733.27	108.33
Total Expenses, Exclusive of Depreciation	$926,954.30	$2,456,432.53	$1,529,478.23	165.00
Entire Company Outside State of Louisiana:				
Ordinary Repairs and Rearrangements	$847,944.60	$1,711,669.58	$863,724.98	101.87
Station Removals and Changes	176,380.64	177,917.50	1,536.86	8.71
Traffic	1,075,812.45	2,585,961.18	1,510,148.73	140.37
Commercial	633,880.51	966,700.56	332,820.05	52.51
General and Miscellaneous	279,907.72	436,848.65	156,940.93	56.07
Total Expenses, Exclusive of Depreciation	$3,013,925.92	$5,879,097.47	$2,865,171.55	95.06

Cumberland Telephone & Telegraph Company.

Ordinary Repairs—New Orleans, August 1st to July 31st—1916-17 *to* 1919-20.

Month.	1916-17.	1917-18.	1918-19.	1919-20.
August	$8,100.18	$15,895.51	$7,273.37	$16,165.46
September	9,906.07	8,815.30	10,874.78	21,951.62
October	12,184.73	10,284.40	11,855.10	25,951.24
November	7,318.97	10,676.22	15,139.55	22,831.24
December	11,098.66	12,879.88	13,566.30	20,542.55
January	9,310.33	10,233.10	11,634.53	20,555.17
February	8,398.94	10,039.15	11,894.18	14,060.12
March	8,693.81	9,707.26	9,391.24	18,917.37
April	6,525.49	10,303.15	12,619.41	19,892.03
May	11,600.48	8,545.29	15,329.98	26,209.89
June	10,339.76	10,620.57	13,413.84	21,728.34
July	6,788.65	17,111.49	24,189.48	20,116.60
Total For Year	110,166.07	135,011.32	157,181.76	248,921.63
Increase for Year		24,845.25	22,170.44	91,739.87
Per-Cent of Increase		22.55	16.42	58.36

Cumberland Telephone & Telegraph Company.

Relation of Ordinary Repairs to Fixed Capital, New Orleans—January 1st, 1916, to July 31, 1920.

	1916.	1917.	1918.	Year ended July 31st, 1920.	Increase year ended July 31, 1920, over calendar year, 1916.
	1	2	3	4	
Total Average Investment....	$4,080,192.08	$4,479,054.00	$4,959,644.11	$5,827,356.21	
Deduct:					
Land	$124,846.74	$133,617.76	$133,660.54	$140,996.23	
Working Capital	112,203.92	159,516.58	199,239.56	196,378.30	
	237,050.66	293,134.34	332,900.10	337,374.53	
Net Average Investment.....	$3,843,141.42	$4,185,919.66	$4,626,744.01	$5,489,982.28	$1,646,840.86
Ordinary Repairs in New Orleans, Exclusive of Apportionment of State Repairs..	$115,081.30	$120,208.77	$135,269.11	$248,921.63	$133,840.33
Per-cent. which Ordinary repairs is of Net Average Investment	2.99%	2.87%	2.92%	4.53%	8.13%

Comparison.

Year Ended July 31st, 1920.....	4.53%
Average 1916-17-18.....	2.93%
Increase	1.60%
Per-cent., of Increase.....	54.61%

Cumberland Telephone & Telegraph Company.

Statement of Reserve for Accrued Depreciation, from January 1, 1914, to December 31, 1919, Inclusive.

Year.	Balance beginning of year.	Credits during year.	Debits during year.	Balance end of year.
1914	$4,031,824.08	$1,374,819.40	$1,321,690.17	$4,084,953.31
1915	4,084,953.31	1,312,557.71	1,777,005.72	3,620,505.30
1916	3,620,505.30	1,595,490.29	1,448,780.55	3,767,215.24
1917	3,767,215.24	1,646,461.22	1,122,968.21	4,290,708.25
1918	4,290,708.25	1,842,915.49	1,182,055.80	4,951,567.94
1919	4,951,567.94	2,202,613.31	1,165,547.23	5,988,634.02

Cumberland Telephone & Telegraph Company.

Analysis of Credits to "Reserve for Accrued Depreciation," for Period January 1, 1914 to December 31, 1919 Inclusive.

Year.	Annual per cent average.	Total credits.	Amount charged for "Depreciation of plant and equipment."	Depreciation charges in "Stable and garage expense."	Depreciation charges in "Shop expense."	Depreciation charges in "Tool expense."	Other credits.	
1914	4.20%	$1,374,819.40	$1,320,000.00	$25,171.86	$1,937.74	$27,709.80	...	.....
1915	4.04%	1,312,557.71	1,264,000.00	24,862.73	.....	23,694.98	...	.....
1916	4.99%	1,595,490.29	1,542,628.61	28,576.09	.....	20,720.95	(1)	3,564.64
1917	4.97%	1,646,461.22	1,615,000.00	31,461.22	.....	.....	...	.....
1918	5.25%	1,842,915.49	1,809,347.58	30,749.79	.....	2,818.12	...	.....
1919	5.88%	2,202,613.31	2,145,688.05	39,328.53	.....	17,100.50	(2)	496.23

NOTE (1)—The figures in Column (*e*) Schedule 281 A—(Analysis of charges made to Reserve for Accrued Depreciation) represents adjustments for Insurance, the charges being transferred to the "Insurance and Casualty Reserve Account, of the amount reported $3,564.64 represents adjustment of charges made in 1915.

NOTE 1918—Since July 31st, in accordance with terms of agreement between the Telephone Company and the Postmaster General, depreciation has been set aside at the rate of 5.72% per annum on accounts 212-280 inclusive (See copy of 1919 report for account names).

NOTE (2)—During the seven months period ending July 31, 1919, there was included in "Miscellaneous Deductions from income, provision for the amortization of account—Organization and Account. Other Intangible Capital amounting to $436.31, or at an annual rate of 5.72% for that period; such provision being based on Subsection B, Section 3, of the Federal Control Contract between the Postmaster General and the Bell System. This amount should have been credited direct to the sub-accounts.

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Cumberland Telephone & Telegraph Company.

Analysis of Debits to Reserve for Accrued Depreciation, 1914-1919 *Inclusive.*

	Total debits net charge.	Amount of repairs charged to reserves.	Retirement of intangible fixed capital.	Other debits.	Plant removed or abandoned.				Plant sold.		Extraordinary repairs.	
					Original cost.	Cost of removals.	Salvage.	Miscellaneous adjustments.	Original cost.	Selling price.	Gross cost.	Salvage.
1914	$1,321,690.17	$333,254.25	$988,435.92	$	$1,345,149.24	$156,402.77	$513,116.09	$	$	$	$339,920.19	$6,665.95
1915	1,777,005.72	204,531.32	1,189,378.46	(1) 303,095.94	1,609,899.92	127,658.77	608,382.32	.....	73,594.76	13,392.67	286,770.41	2,239.09
1916	1,448,780.35	431,323.32	991,040.55	(2) 26,416.50	1,469,481.89	139,706.01	666,872.07	(23,841.34)	84,791.55	15,790.15	437,237.10	5,913.78
1917	1,122,968.21	263,713.66	840,889.50	(3) 18,365.05	1,327,378.52	147,366.56	633,832.55	.....	.....	.....	267,943.13	4,229.47
1918	1,182,055.80	255,682.38	926,373.42	... .	1,223,439.36	170,196.25	467,262.19	.....	.....	.....	255,828.61	146.23
1919	1,165,547.23	82,195.66	1,083,351.57	... .	1,358,071.30	267,807.01	542,526.74	.....	.....	.....	82,195.66	.....

NOTE (1).—Reserve for Depreciation accumulated on property sold to the following Companies: Southern Telephone Company of Indiana, $258,900. and Christian-Todd Telephone Co. $44,195.94.
During the year the respondent transferred its Fixed Capital in the State of Indiana valued at $2,053,666.38 to the Southern Telephone Company of Indiana on which there had accrued depreciation reserve of $258,900. Also during the year it transferred certain of its Fixed Capital in Tennessee, valued at $228,345.98 to the Christian-Todd Telephone Company on which there had accrued a depreciation reserve of $44,195.94. Both of these transactions were considered as transfers and not as sales and in the transfer the above companies took up on their books the value at which these properties were carried on the respondent company's books against which, however, they credited to their reserve for depreciation the amount of the reserve transferred. As these transactions were considered as transfers, the entries to reserve for depreciation were made in one amount in each case and not split into the various sub-accounts, accordingly the figures in this connection are not included in this schedule.

NOTE (2).—Reserve for depreciation accumulated on toll property transferred to the Christian-Todd Telephone Company.
The red figure in column "Miscellaneous Adjustments," represents adjustments for Insurance, the charges being transferred to the "Insurance and Casualty Reserve." Of this amount $3,564.64 represents adjustment of charges made in 1915.

NOTE (3).—Represents direct charges against the depreciation reserve on account of property transfers, i. e., Postal Telegraph & Cable Co. $18,032.71 and Southern Telephone Company of Indiana $332.34.

Table 20.

Cumberland Telephone & Telegraph Company.

Comparison of Annual Depreciation Rates New York Telephone Company and Cumberland Telephone & Telegraph Company.

Account No.	Classification of Property.	New York Telephone Co. Prior to Federal control.	New York Telephone Co. Subsequent to Federal control.	Cumberland Telephone Co.
207-01	Exchange Right of Way	6	6	5
207-02	Toll Right of Way	3	3	2.5
212	Buildings	2.6	2.6	2.5
221	C. O. Telephone Equipment	9	9	7
222	Other Equipment C. O.	10	9	10
231	Station Apparatus	10	6	8
233	Interior Block Wires	7.5	5	..
234	Private Branch Exchange	10	7	8
235	Booths & Special Fittings	10	7	8
241	Pole Lines	10	9	10
242	Aerial Cable	7.5	7	6.8
243	Aerial Wire	9.6	9.6	10.9
244-14	U. G. Conduit Main	2	2	2.6
245-15	U. G. Cable Main	4.2	3	3.5
246	U. Submarine Cable	11.1	8	12.5

Comparison of Annual Depreciation Rates.—Continued.

Account No.	Classification of Property.	New York Telephone Co.		Cumberland Telephone Co.
		Prior to Federal control.	Subsequent to Federal control.	
251	Toll Line Poles	6.7	6.1	6.3
252	Aerial Cable	5.6	5	6.8
253	Aerial Wire	2.8	3.8	3.4
254	U. G. Conduit	2	2	2.6
255	U. G. Cable	2.9	2.8	3.5
256	Submarine Cable	12	8	12.5
261	Office Furniture & Fixtures	10	10	10

1ST NOTE:—It will be noted that the rates of the New York Telephone Company were reduced somewhat subsequent to Federal Control from what they were prior to Federal Control. This was due to somewhat greater allowance for salvage value, lengthening of age, etc. In one instance, there is an increase and that is in the case of toll aerial wire from 2.8 to 3.8.

2ND NOTE:—Out of 22 comparable items of Cumberland Company, 7 are higher in New York; 14 are lower; and, one the same.

1217 *Extracts from Petition of the Consolidated Gas Company of New York for Leave to Intervene in the Matter of the Application of the New York Telephone Company for the Consent of the Commission to the Establishment of a New Schedule of Rates for Telephone Service in the City of New York.*

Filed by Shearman & Sterling, Attorneys for Petitioner, December 31st, 1920.

VIII. The New York Telephone Company being engaged in the transmission of messages between persons in different states is subject to the Interstate Commerce Act as well as to the Public Service Commissions Law, and consequently is obliged to keep its accounts in conformity with the requirements of the Interstate Commerce Commission as well as with those of the Public Service Commission. Both Commissions require, in effect, that that company shall charge to its expenses each month amounts estimated by it to be necessary to cover the "depreciation" applicable to the month in the corporation's tangible and intangible fixed capital. Amounts so charged are required to be credited to accounts called "Reserve for accrued depreciation" and "Reserve for amortization of intangible capital."

IX. To the credit accounts thus created are to be charged the losses realized and determined upon the retirement of fixed capital, tangible or intangible; that is to say, the excess of the book value of any item of tangible capital plus cost of dismantling over the gross salvage which it is found to have when retired from service and junked or otherwise disposed of, is to be charged to the "Reserve for accrued depreciation," and that of franchises, patents, leaseholds and other like intangibles is to be charged to the "Reserve for amortization of intangible capital." The credit balances in the reserve accounts at any time when the books have been written up and adjustments made for the purpose of stating the financial condition of a company, show the amount which the provisions for retirement made through charges to expenses have created in excess of losses realized and determined by actual retirements, such amount if a provision for retirements not yet realized, the actual time of future retirement being uncertain, and in many cases capable of indefinite postponement through good maintenance."

1218 XI. The charge to expenses seems to be unduly heavy, especially in view of the fact that the increase in the investment in fixed capital was being made gradually. Below are shown for comparison the yearly increases in fixed capital account and those in the credit balances in the said two reserve accounts:

	Increase in investment in fixed capital.	Increase in credit balances in reserve for retirements for fixed capital.
1915	$8,869,486	$5,901,970
1916	11,896,432	6,393,537
1917	19,111,870	8,104,642
1918	22,368,207	9,087,437
1919	14,559,081	8,403,540

From figures submitted by the New York Telephone Company and embodied in the record in this case it appears that during the eight months ended August 31, 1920, its fixed capital account increased by $14,460,695, and the credit balance in the said reserve accounts increased by $6,580,064, slightly but not much less in proportion than during the preceding five years, and not sufficiently less to indicate any substantial change in the policy of making to operating expenses provisional charges much in excess of those necessary to cover actual retirements or withdrawals of fixed capital.

The Congressional Action as to Liberal Charges to Expense Because of Estimated "Depreciation."

XII. It is undoubtedly the consideration of such liberal charges to expenses as are above disclosed that led the Congress to direct, in section 20, paragraph 5, of the Interstate Commerce Act, that

"The Commission shall, as soon as practicable, prescribe for carriers subject to this Act, the classes of property for which depreciation charges may properly be included under operating expenses, and the percentages of depreciation which shall be charged with respect to each of such classes of property, classifying the carriers as it may deem proper for this purpose. The Commission may, when it deems necessary, modify the classes and percentages so prescribed. The carriers subject to this Act shall not charge to operating expenses any depreciation charges on classes of property other than those prescribed by the Commission, or charge with respect to any class of property, a percentage other than that prescribed therefor by the Commission. No such carrier shall in any case include in any form under its operating or other expenses any depreciation or other charge or expenditure included elsewhere as a depreciation charge or otherwise under its operating or other expenses."

The purpose of this prohibition contained in the last-quoted sentence foregoing is believed by the petitioner to be obviously the prevention of excessive or improper charges to expense accounts through duplicated charges, and the purpose of the provisions, respecting the so-called "depreciation charges" is to keep them within reasonable bounds.

1219 The necessity for strict scrutiny and regulation by your honorable body in this regard will appear clearly when it

considers the figures above submitted. In order that the schedules of rates in force at a given time may not wrongly be made to appear to yield an insufficient net operating income, and so, because of inflation of the operating expense account, appear to be inadequate, the Interstate Commerce Commission has now, specifically been given the duty, as well as the power and jurisdiction, to control the estimated charges for "depreciation" and the basis thereof. Without the possession and exercise of this power by the appropriate commission, any carrier would be left in position to include in its operating expenses unnecessary and excessive charges under this head and thus make its revenues and rated appear inadequate upon the face thereof when in fact they were ample or more than ample.

XIII. If the carrier or telephone company had been or were left subject to no control in respect of the charges which it might make to operating expenses for "depreciation," it might easily, if such charges were based on estimates and were not kept in close relationship to the actual disbursements, make these estimated charges sufficiently high to create the appearance that its operating income for any year is insufficient to yield the reasonable average return indicated by the statute.

Scope and Purpose of So-called Charges for "Depreciation."

XIV. In order to determine what amounts may properly be charged to operating expenses to represent "depreciation," it is necessary to bear in mind the proper purpose of such charges. The word "depreciation" as commonly used, has a variety of meanings. One of the most common is to denote a shrinkage in value, but that is apparently not the meaning intended by Congress to be attached to the word as it is used in the Interstate Commerce Act, because changes in value are matters of fact to be determined by observation and not by rule prescribed by the Commission. The operating property of a telephone corporation (which class of corporation, if engaged in interstate commerce, is comprehended by the word "carrier" as used in the Interstate Commerce Act) is held for use and not for sale; and fluctuations in its value, if they occur, do not have any relation to the company's operating expenses.

A merchant may properly reserve out of his revenues sums to provide against shrinkage in value of unsold goods below their cost, for, until the complete stock of goods is sold and converted into money, the real profit or loss from his venture can not be ascertained, but the telephone company expects its plant to be operated for-ver for telephone purposes or at least for an indefinitely long period. It is composed almost entirely of tangible property that can not readily, and usually can not economically, be converted to other uses. Its ownership may change and the price at which the transfer is effected may be greater or less than the cost of the plant when installed, but it does not appear that the utility of the plant or its relation to the community using it is thereby affected. In its public aspects the essential thing is that the plant be maintained in efficient

operating condition and that its service be rendered efficiently and economically and at a fair price.

That this was and is the intent of the Federal enactment is further evidenced by the provisions of paragraph (c) of Section 10 of the subsequently enacted Federal Water Power Act, which provides that the "license shall maintain the project works in a condition of repair adequate for * * * the efficient operation of said
1220 works in the development and transmission of power, shall make all necessary renewals and replacements, shall establish and maintain adequate depreciation reserves for such purposes, etc. Its operating expenses are the outgoes necessary to such efficiency and economy of operation, and the statute of the State of New York has declared that the fair price for the service rendered shall be so determined, as nearly as may be, as to yield, in addition to such necessary outgoes, a further sum which shall provide a reasonable average return upon the value of the property actually used in the public service and provide also for the necessity of making reservations out of income for surplus and contingencies.

Repairs and Replacements Necessary at Irregular Intervals.

XIV. It is a matter of common knowledge that in any extensive or complicated plant or instrumentality, the thing does not wear out or give way as a whole. Some part wears or weakens to the point that it ceases to operate satisfactorily, and upon being repaired or replaced, the whole continues to operate satisfactorily. These repairs and replacements become necessary at more or less irregular intervals, but in an extensive and heterogeneous plant or system subjected to a variety of hazards, they tend to equalize themselves from year to year, and the tendency is still more marked if longer periods be compared.

XIV. The statute does not indicate how frequently the Commission shall revise and adjust the maximum rates for a telephone company, but presumably such readjustments will be made only at intervals of several years. It takes an appreciable period of time for traffic to adjust itself to a new level of rates and such level ought not to be disturbed until it becomes clear that it is inadequate or excessive. If the intervals between readjustment of rate levels are long enough to permit the law of averages to operate with respect to repairs and renewals and replacements of plant, it is apparent that there is no occasion for the introduction of any estimates charges into operating expenses, to secure a fair statement of cost of operation for the period. If the intervals are too short for this, the justification for the admission of charges based on estimates becomes very evident. Such estimates, however, when permissible, should be restricted to elements other than anticipated shrinkage in value of parts of the plant, for, as has been said above, the telephone company is not a trader or merchandiser in respect of its operating property and its duty in connection with such property is to maintain it in efficient operating condition and to operate it efficiently and eco-

nomically in rendering telephone service. When any part wears to a point that some particular item no longer operates efficiently, it is the company's duty to repair ir or replace it, and thereby to overcome the actual deterioration of the item of property and restore it to full operating efficiency. If, in the interval since it was installed, the art of telephony has progressed to such a point that the thing to be replaced has become obsolete or is obsolescent or is inadequate, it should be replaced with one of improved type and adequate capacity, and at such time the fixed capital account shuld be adjusted to conform to the change of type and capacity and the resultant change in investment. "Abandonments occasioned by changes of
1221 this character are therefore chargeable to future earnings." (Kansas City So. Ry. v. U. S., 231 U. S. 423, 451-452).

"Depreciation" Charges to Operating Expenses.

XVII. It thus appears that "depreciation" charges in operating expenses should be restricted to those necessary to equalize from year to year the charges for extraordinary repairs and for renewals and replacements that occur irregularly. As experience shows that in large plants, distributed sufficiently widely to be subjected to a variety of hazard, the actual costs tend to equalize themselves when taken over a period of years, it is apparent that there is no need for permitting the introduction of estimated charges in operating expenses to cover the matter of "depreciation" in connection with the determination of a just and reasonable rate as defined in the statute, unless the Commission contemplates frequent readjustments of the rate level. If such frequent readjustments are contemplated, the regulation of such charges should be based on the past experience of the telephone company, and the charges themselves should be proportioned on the basis of work done rather than on mere lapse of time. Extensive reconstruction projects involving numerous renewals and replacements can not advisably be undertaken when the plant is working under full load or overload, for at such times operation would be too much impeded by the execution of any maintenance work in excess of actual immediate needs. Furthermore, at such times prices are usually high and the supply of materials and labor restricted, and it would be uneconomical to do work of this character that is not absolutely essential to the continuity of operation. In such periods, therefore, when the actual disbursement for maintenance work is comparatively small, the estimated charges may properly, if ever, be introduced in operating expenses to make provision for the time when traffic has slackened and the forces of the company can advantageously be concentrated on maintenance work.

Nine Million Dollars a Year Charged to "Depreciation" in Excess of Actual Expenditures for Renewals and Replacements."

XVIII. Examination of the figures above stated shows that the charges to expenses under the guise of "depreciation" are substantially nine millions of dollars a year in excess of all amounts necessary to meet all actual retirements.

Wherefore, your petitioner respectfully prays your Honorable Body as follows:

1. That the above-stated considerations be taken into account and kept in mind by the Commission in all pending and future proceedings for the fixation of rates chargeable by the New York Telephone Company and other public service corporations.

2. That the petitioner he permitted to intervene and be heard, by counsel, in such proceedings, and to file a brief therein, in behalf of the considerations hereinbefore stated.

3. That the Commission will find that for the New York Telephone Company, and other large public service corporations there is no occasion for the inclusion of estimated depreciation charges in operating expenses, and that it will require that the main-
1222 tenance charges for any calendar year, including charges for renewals and replacements, be stated on the basis of expenses actually incurred during that year, to the end that telephone rates be placed at a level which will be fair both to telephone companies and to their customers, and that they be not made unduly high in order to provide for estimated charges not based on actual facts.

4. In the event that the Commission be of opinion that a year is not a sufficiently long period to include representative fluctuations in maintenance charges, the petitioner prays that the rules governing estimated charges for "depreciation" shall hereafter be based on the actual experience of the telephone company during a period of a length reasonably sufficient to include such fluctuations and that the estimated charge shall be distributed from year to year upon a suitable operating unit (such as, for example, number of telephone calls), so that during years of heavy traffic the estimated charge may be correspondingly great and during years of light traffic it may be correspondingly less, and thus avoid, so far as may be fictitious fluctuations in the net operating income and in the portion of net operating income remaining after deduction of fixed charges which portion should be sufficient for the "reasonable average return upon the value of the property actually used in the public service" and the reasonable "reservation out of income for surplus and contingencies" which the statute makes the test of the adequacy or inadequacy of a given schedule or level of rates."

1223 Louisiana Telephone Case.

Cumberland Telephone & Telegraph Company.

Relation of Increases—Fixed Capital and Repreciation Reserve.

January 1st, 1917, to October 31st, 1920.

Year.	Increase in investment, fixed capital.	Increase in credit balance in reserve for retirement of fixed capital.	Per cent of increase in reserve to increase in fixed capital.
1917.....	$1,956,236.69	$523,493.01	26.74
1918.....	1,979,540.48	660,859.69	33.38
1919.....	3,333,785.28	1,037,066.08	30.80
To Oct/31, 1920...	3,168,989.19	1,314,357.79	41.46
Increase..	$10,438,551.64	$3,535,776.57	33.77

Cumberland Telephone and Telegraph Company.

Comparative Statement of Amounts Charged to Taxes Assignable to Operations of Telephone Property, 1914-1919, Inclusive.

State.	1914.	1915.	1916.	1917.	1918.	1919.
Georgia	$	$	$249.28	$	$	$ .....
Illinois	852.93	1,811.17	149.59	835.76	1,152.12	925.17
Indiana	29,388.95	11,057.07	.....	.....	.....	.....
Kentucky	65,221.28	72,017.35	80,398.53	82,541.13	89,987.89	93,814.58
Louisiana	180,388.93	201,604.38	196,543.31	209,755.11	225,060.92	277,656.20
Mississippi	77,562.31	107,518.62	76,414.28	92,157.36	102,267.91	129,133.91
Tennessee	159,374.13	125,050.65	198,593.85	173,642.59	189,901.19	219,201.51
United States	8,737.15	6,507.78	8,749.95	73,616.46	63,700.27	110,044.84
Virgina	.....	.....	371.16	160.75	.....	.....
Increase in Reserve for Taxes between Dec. 31, 1913 and Dec. 31, 1914, unable to apportion between states	3,342.50	.....	.....	.....	.....	.....
Total	$524,868.18	$525,567.02	$561,469.93	$632,709.16	$670,070.30	$830,776.21

(Here follow tables marked pages 1225-1231, inclusive.)

Cumberland Telephone & Telegraph Company.

Investment, Revenues & Expenses, Comparative Statement January 1st, 1916, to July 31st, 1920.

State of Louisiana.

Investment:	1916.	1917.	1918.	1919.	Year ended July 31st, 1920.
Average: Exchange Lines & Equipment	$5,477,497.91	$5,663,279.94	$6,020,003.76	$6,576,752.48	$7,013,041.09
" Toll Lines and Equipment	2,406,487.61	2,554,876.05	2,438,796.93	2,655,384.85	2,832,770.88
" Real Estate—Land	138,371.74	147,142.76	133,660.54	160,478.83	180,759.02
" Real Estate—Buildings	134,666.83	364,031.95	596,991.76	611,841.36	642,021.40
" Furniture and Fixtures	16,928.96	23,569.71	27,719.66	34,035.37	43,052.33
" Tools, Teams, Vehicles, Etc.	50,817.08	59,638.29	76,861.62	89,550.11	103,494.18
" Working Capital	240,051.48	345,326.93	421,523.45	407,248.02	403,894.90
Total Average Investment	$8,464,821.61	$9,157,865.63	$9,715,557.72	$10,535,291.02	$11,219,033.80
Revenue:					
Exchange	$1,935,188.74	$2,068,357.97	$2,171,467.62	$2,483,473.45	$2,741,386.50
Toll	751,798.99	898,654.96	958,329.58	1,325,690.55	1,517,992.29
Miscellaneous	34,662.87	54,445.59	44,298.93	62,161.27	66,034.79
Total Revenue	$2,721,650.60	$3,021,458.52	$3,174,096.13	$3,871,325.27	$4,325,413.58
Expenses:					
General and Miscellaneous	$127,609.39	$79,542.49	$99,265.24	$108,802.32	$135,140.96
Commercial	288,338.83	316,678.62	340,959.58	436,711.48	499,480.44
Traffic	394,230.63	476,403.27	703,301.16	937,662.73	1,070,077.68
Current Repairs	295,117.19	332,897.92	372,660.68	608,421.08	670,781.13
Station Removals and Changes	48,951.46	52,317.64	44,754.83	54,649.62	66,279.51
Depreciation	556,235.03	504,908.41	560,452.34	610,472.90	651,019.32
Rights, Privileges and Use of Property	155,890.52	165,307.63	188,131.24	210,374.04	235,301.17
Insurance	11,516.27	12,171.76	13,279.99	14,264.51	14,672.81
Taxes	214,527.22	221,523.31	256,106.02	301,285.51	318,859.49
Total Expense	$2,092,416.54	$2,241,751.05	$2,578,911.08	$3,282,644.19	$3,661,612.51
Net Revenue	$629,234.06	$779,707.47	$595,185.05	$588,681.08	$663,801.07
Per Cent of Net Revenue to Investment	7.43%	8.51%	6.13%	5.59%	5.92%

Cumberland Telephone & Telegraph Company.

Investment, Revenues & Expenses, Comparative Statement January 1st, 1916, to July 31st, 1920.

City of New Orleans.

	1916.	1917.	1918.	1919.	Year ended July 31st, 1920.
Investment:					
Average: Exchange Lines & Equipment	$3,112,319.21	$3,189,287.26	$3,406,351.18	$3,786,214.56	$3,999,802.78
" Toll Lines and Equipment	572,780.54	606,918.41	591,794.20	703,752.50	787,343.25
" Real Estate—Land	124,846.74	133,617.76	133,660.54	134,108.71	140,996.23
" Real Estate—Buildings	122,667.37	347,661.49	576,457.41	602,360.02	631,422.47
" Furniture and Fixtures	5,684.67	9,623.53	11,901.19	16,242.96	23,235.11
" Tools, Teams, Vehicles, Etc.	29,689.63	32,428.97	40,240.03	46,321.93	48,178.07
" Working Capital	112,203.92	159,516.58	199,239.56	198,061.42	196,378.30
Total Average Investment	$4,080,192.08	$4,479,054.00	$4,959,644.11	$5,487,062.10	$5,827,356.21
Revenue:					
Exchange	$1,227,782.40	$1,320,718.11	$1,416,805.24	$1,595,972.58	$1,746,483.26
Toll	178,937.38	213,478.16	233,092.75	349,686.70	421,906.41
Miscellaneous	19,119.48	25,199.52	27,984.20	31,897.93	42,343.31
Total Revenue	$1,425,839.56	$1,559,395.79	$1,677,882.19	$1,977,557.21	$2,210,732.98
Expenses:					
General and Miscellaneous	$56,867.57	$40,949.40	$45,181.39	$55,418.46	$81,066.50
Commercial	156,217.71	172,440.06	183,036.32	242,438.03	285,827.59
Traffic	192,298.47	246,518.23	380,286.45	515,089.29	575,399.30
Current Repairs	133,445.45	142,242.19	158,495.85	250,754.90	296,024.29
Station Removals and Changes	27,309.65	27,793.56	23,957.30	28,600.61	32,182.44
Depreciation	260,978.79	273,649.97	285,910.62	317,085.01	337,488.63
Rights, Privileges & Use of Property	67,724.05	75,101.98	80,879.49	90,426.09	105,278.59
Insurance	5,313.35	6,681.60	8,203.44	8,518.74	8,862.26
Taxes	114,492.92	118,331.25	148,158.87	173,002.03	185,816.25
Total Expense	$1,014,647.96	$1,103,708.24	$1,314,109.74	$1,681,333.16	$1,907,945.85
Net Revenue	$411,191.60	$455,687.55	$363,772.45	$296,224.05	$302,787.13
Per Cent Per Annum of Net Revenue of Investment	10.08	10.17	7.33	5.40	5.20

Cumberland Telephone & Telegraph Company.

Comparison of Net Earnings, New Orleans, with Balance of State of Louisiana, January 1st, 1917, to July 31st, 1920.

	Year.	Average investment.	Gross revenue.	Total expenses.	Net revenue.	Per cent per annum of net earnings to average investment.	Per cent of difference in rate of return between New Orleans and balance of State.	Revenue per $1,000 of investment.
City of New Orleans	1917	$4,479,054	$1,559,395	$1,103,708	$455,687	10.17%	46.75%	$348.13
	1918	4,959,644	1,677,882	1,314,109	363,773	7.33%	50.82%	338.31
	1919	5,487,062	1,977,557	1,681,333	296,224	5.40%	0.67%*	360.39
	1920	5,827,356	2,210,732	1,907,945	302,787	5.20%	22.27%*	379.37
State of Louisiana	1917	$9,157,865	$3,021,458	$2,241,751	$779,707	8.51%	.....	$329.93
	1918	9,715,557	3,174,096	2,578,911	595,185	6.13%	.....	326.69
	1919	10,535,291	3,871,325	3,282,644	588,681	5.59%	.....	367.46
	1920	11,219,033	4,325,413	3,661,612	663,801	5.92%	.....	385.54
Outside of city of New Orleans	1917	$4,678,811	$1,462,063	$1,138,043	$324,020	6.93%	.....	$329.93
	1918	4,755,913	1,496,214	1,264,802	231,412	4.86%	.....	314.60
	1919	5,048,229	1,893,768	1,601,311	292,457	5.79%	.....	375.12
	1920	5,391,677	2,114,681	1,753,667	361,014	6.60%	.....	381.85

*[Red.]

Cumberland Telephone & Telegraph Company.

Comparison of Net Earnings, New Orleans with Balance of State of Louisiana, January 1st, 1917, to July 31st, 1920.

	Louisiana.	New Orleans.	Outside New Orleans.	Louisiana.	New Orleans.	Outside New Orleans.
	Calendar year 1917.			Calendar year 1918.		
Average Investment	$9,157,865	$4,479,054	$4,678,811	$9,715,557	$4,959,644	$4,755,913
Gross Revenue	3,021,458	1,559,395	1,462,063	3,174,096	1,677,882	1,496,214
Total Expenses	2,241,751	1,103,708	1,138,043	2,578,911	1,314,109	1,264,802
Net Revenue	779,707	455,687	324,020	595,185	363,773	231,412
Per cent., Per Annum of Net Earnings to Average Investment	8.51%	10.17%	6.93%	6.13%	7.33%	4.86%
Per cent. of Difference in Rate of Return Between New Orleans and Balance of State	.....	46.75%	.....	.....	50.82%	.....
Return per $1,000 of Investment	329.93	348.13	329.93	326.69	338.31	314.60
	Calendar year 1919.			Calendar year 1920.		
Average Investment	$10,535,291	$5,487,062	$5,048,229	$11,219,033	$5,827,356	$5,391,677
Gross Revenue	3,871,325	1,977,557	1,893,768	4,325,413	2,210,732	2,114,681
Total Expenses	3,282,644	1,681,333	1,601,311	3,661,612	1,907,945	1,753,667
Net Revenue	588,681	296,224	292,457	663,801	302,787	361,014
Per cent., Per Annum of net earnings to Average Investment	5.59%	5.40%	5.79%	5.92%	5.20%	6.68%
Per cent., of difference in rate of return between New Orleans and Balance of State	.....	*0.67%	.....	.....	*22.27%	.....
Return per $1,000 of Investment	367.46	360.39	375.12	385.54	379.37	381.85

(*Red.)

American Telephone and Telegraph Company.

Comparative Balance Sheet, 1918-1919—*Balance at Dec.* 31.

Asset Side.

		1918.	1919.
	Investment:		
	Total investment in Fixed Capital	$89,253,229.91	$101,370,206.64
104	Construction work in progress	5,422,335.98	3,996,063.19
105	Investment securities	546,067,845.61	553,460,251.75
110	Advances to system corporations for construction, etc	95,950,700.00	153,031,133.88
111	Miscellaneous investments	0	600,112.71
	Total Investment	$736,694,111.50	$812,457,768.17
	Working Assets and Accrued Income:		
112	Cash and deposits	$33,247,842.57	$27,512,170.11
115	Employees' working funds	845,825.00	1,017,325.00
116	Marketable securities	5,480,163.64	5,074,185.40
117	Bills receivable	21,746,223.40	43,500,000.00
118	Due from subscribers and agents	281,404.16	187,601.64
119	Accounts receivable from system corporations	20,071,079.26	17,113,575.75
120	Miscellaneous accounts receivable	1,520,163.47	19,019,410.65
122	Materials and supplies	602,900.81	974,713.48
124	Unmatured interest, dividends, and rents receivable	1,672,318.99	1,991,345.63
	Total Working Assets and Accrued Income	$85,467,921.30	$116,390,327.66
	Deferred Debit Items:		
125	Sinking fund assets	$75.64	$1,056.24
126	Insurance and other reserve fund assets	29,000.00	34,000.00
128	Prepayments	10,440.56	22,308.23
135	Unamortized debt discount and expense	11,338,723.95	12,865,440.38
136	Other suspense	1,774,049.43	802,410.35
	Total Deferred Debit Items	$13,152,289.58	$13,725,215.20
	Grand Total	$835,314,322.38	$942,573,311.03

The 1919 data represent the corporate balance sheet of the company, as of 12/31/19, and include adjustments incident to Federal Control.

American Telephone and Telegraph Company

Comparative Balance Sheet, 1918-1919—*Balance at Dec.* 31.

Liability Side.

		1918.	1919.
	Stocks:		
150	Capital Stock	$441,947,338.00	$441,981,200.00
152	Premiums on capital stock	15,326,952.60	15,333,672.60
	Total Stocks	$457,274,290.60	$457,314,872.60
	Long Term Debt:		
153	Funded debt	$230,335,024.00	$319,403,600.00
	Working Liabilities and Accrued Liabilities:		
157	Bills payable	$4,000,000.00	0
158	Audited vouchers and wages unpaid	441,384.42	$509,977.32
160	Accounts payable to system corporations	1,624,659.60	10,951,573.67
161	Miscellaneous accounts payable	4,646.60	5,244.76
162	Matured interest, dividends and rent unpaid	456,697.50	496,114.75
163	Matured funded debt unpaid	1,000.00	1,000.00
164	Service billed in advance	31.57	31.58
166	Taxes accrued	2,017,982.97	1,085,316.50
167	Other accrued liabilities not due	13,584,444.42	15,434,596.63
	Total Working Liabilities and Accrued Liabilities	$22,130,847.08	$28,483,855.21
	Deferred Credit Items:		
102	Reserve for accrued depreciation	$20,980,538.42	$24,478,817.33
103	" " amortization of intangible capital	692,634.57	771,291.25
170	Liability on account of provident funds	2,000,000.00	2,000,000.00
170a	Other deferred credit items	1,794,325.04	3,913,350.47
	Total Deferred Credit Items	$25,467,498.03	$31,163,459.05
	Appropriated Surplus:		
173	Other surplus reserved	$25,210,189.91	$24,759,322.65
	Unappropriated Surplus:		
137 or 174	Corporate Surplus Unappropriated (Cr. Balance)	$74,896,472.76	$81,448,201.52
	Total Corporate Surplus	$100,106,662.67	$106,207,524.17
	Grand Total	$835,314,322.38	$942,573,311.03

American Telephone and Telegraph Company.

Monthly Report of Revenues, Expenses, and Capital Charges.

(Copy of Company's Report to Interstate Commerce Commission for November, 1920.)

For the month of November.			Item.	For the eleven months beginning with January 1.		
1920. (a)	1919. (b)	Increase (in black) or decrease (in red). (c)	(d)	1920. (e)	1919. (f)	Increase (in black) or decrease (in red). (g)
No Exchanges—Toll Business only.			1. Number of company stations in service at end of month**			
			2. Number of company stations outside the U. S., included in Item 1			
			Revenues:			
			3. Subscribers' station revenues (500)			
			4. Public pay station revenues (501)			
			5. Miscellaneous exchange service revenues (503 to 506, incl.)			
$2,318,062.04	$2,235,338.78	$82,723.26	6. Message tolls (510)	$26,857,546.88	$21,960,626.51	$4,896,920.37
765,152.66	668,558.18	96,594.48	7. Miscellaneous toll line revenues (512 to 516, incl.)	8,066,612.83	6,424,899.49	1,641,713.34
18,652.22	15,212.02	3,440.20	8. Sundry miscellaneous revenues (520 to 525, incl.)	200,739.49	180,288.62	20,450.87
1,561,1[illegible].45	1,331,009.20	230,153.25	9. Licensee revenue—Cr. (526)	16,089,974.33	12,472,695.81	3,617,278.52
			10. Licensee revenue—Dr. (527)			
$4,663,029.37	$4,250,118.18	$412,911.19	11. Telephone operating revenues (Items 3 to 10 incl.)	$51,214,873.53	$41,038,510.43	$10,176,363.10
			Expenses:			
445,863.84	487,258.71	31,394.87*	12. Depreciation of plant and equipment (608 and 609)	4,808,146.34	5,097,610.12	289,463.78*
520,875.40	461,762.88	59,112.52	13. All other maintenance (601 to 607, incl., 610 and 611)	5,412,521.05	4,284,252.95	1,128,268.10
621,540.13	574,962.26	246,577.87	14. Traffice expenses (621 to 624, incl. and 626 to 633, incl.)	8,085,434.47	5,606,172.74	2,479,261.73
59,088.90	48,773.39	10,315.51	15. Commercial expenses (640, 642, 643, 644 and 646 to 650 incl.)	612,638.92	559,156.50	53,482.42
619,032.27	444,998.84	174,033.43	16. General and miscellaneous expenses (661, 662, 664 to 670, incl. & 672 to 676, incl.)	6,041,580.95	6,734,009.91	692,428.96*
$2,476,400.54	$2,017,756.08	$458,644.46	17. Telephone operating expenses (Items 12 to 16, incl.)	$24,960,321.73	$22,281,202.22	$2,679,119.51
2,186,628.83	2,232,362.10	45,733.27*	18. Net telephone operating revenues (Item 11 less Item 17)	26,254,551.80	18,757,308.21	7,497,243.59
			19. Other operating revenues (302)			
			20. Other operating expenses (303)			
18,684.39	13,367.13	5,317.26	21. Uncollectible operating revenues (304)	153,907.31	124,542.61	29,364.70
170,520.22	370,534.69	200,014.47*	22. Taxes assignable to operations (305)	2,964,840.15	2,957,677.24	7,162.91
			Changes in Capital Items:			
$1,997,424.22	$1,848,460.28	$148,963.94	23. Operating income (Items 18 and 19 less Items 20, 21 and 22)	$23,135,804.34	$15,675,088.36	$7,460,715.98
$1,623,098.61	$962,657.92		24. Increase in "Investment in fixed capital" (100 and 101)	$10,644,267.29	$12,317,094.10	
237.300.46*	15,578.83		25. Increase in "Construction work in progress" (104)	3,835,602.44	2,362,217.42*	
82,600.00	1,600.00		26. Increase in "Capital stock" (150)	519,700.00	10,762.00	
96,900.00*	2,800.00*		27. Increase in "Funded debt" (153)	1,581,100.00*	89,472,076.00*	

Statistics in this report in so far as they pertain to the period January 1, 19—

* Indicates a red figure.

** Includes all stations except "private line" stations and "service" stations.

1232 Louisiana Telephone Case.

American Telephone and Telegraph Company.

Earnings Per Share of Capital Stock, 1901 *to* 1919.

The following table shows the earnings per share available for dividends on the stock for each year since 1900:

1901	$10.99	1910	$10.34
1902	8.92	1911	10.01
1903	9.19	1912	9.86
1904	8.63	1913	9.59
1905	9.91	1914	9.38
1906	9.86	1915	9.52
1907	11.89	1916	9.77
1908	11.64	1917	9.48
1909	10.85	1918	9.97
		1919	10.05

The Company and its predecessor have paid dividends to the public at the rate of at least $7.50 per share each year for the past thirty-eight years; during the past thirteen years the rate has been uniformly $8.00 per share.

Source: A. T. & T. Report 1919, page 46.

American Telephone & Telegraph Company.

Commission for Toll Messages.

Amount of toll charge.	Prior to Jan. 1st, 1918.		Since January 1st, 1918.	
	Where A. T. and T. operates.	Where respondent operates.	Where A. T. and T. operates.	Where respondent operates.
$.10	1–½	1–½	2–½	2–½
.15	2–¼	2–¼	3–¾	3–¾
.20	3	3	5	5
.25	3–¾	3–¾	6–¼	6–¼
.30	4–½	4–½	7–½	7–½
.35	5–¼	5–¼	8–¾	8–¾
.40	6	6	10	10
.45	6–¾	6–¾	11–¼	11–¼
.50	7–½	7–½	12	12–½
.60	9	9	12	15
.70	10	10–½	12	17–½
.80	10	12	12	20
.90	10	13–½	12	22–½
1.00	10	15	12	25
1.25	10	18–¾	12	30
1.50	10	20	12	30
1.75	10	20	12	30
2.00	10	20	12	30

3.50	10	20	12	30
3.50	10	20	12	30
4.00	10	20	12	30
4.50	10	20	12	30
5.00	10	20	12	30
10.00	10	20	12	30
15.00	10	20	12	30
25.00	10	20	12	30
50.00	10	20	12	30
100.00	10	20	12	30

Cumberland Telephone & Telegraph Company.

Studies for A. T. & T. Long Distance Toll Commissions, Showing Business Originating at New Orleans, La.

(1) Study for the month of January, 1918:

Source.	Number of messages. Under 45¢.	Over 45¢.	Amount billed.
Subscribers' Stations	0	1,373	$3,989.19
Pay Stations	0	123	244.56
Total	0	1,496	4,233.70

Average Total Charge per Message	$2.83
Commission Allowed Cumberland Per Message	.1312
Commission to Cumberland of amount billed subscribers at New Orleans	4.6%

(2) Revision July 7th, 1918, when Cumberland undertook operation at New Orleans:

Source.	Number of messages. Under $1.20.	Over $1.20.	Amount billed. Under $1.20.	Over $1.20.
Subscribers' Stations	591	938	$547.00	$3,263.20
Pay Stations	45	36	42.40	128.40
Total	636	974	589.40	3,391.60

Average Total Charge Per Message	$2.47
Commission to Cumberland of amount Billed subscribers at New Orleans	8.7%

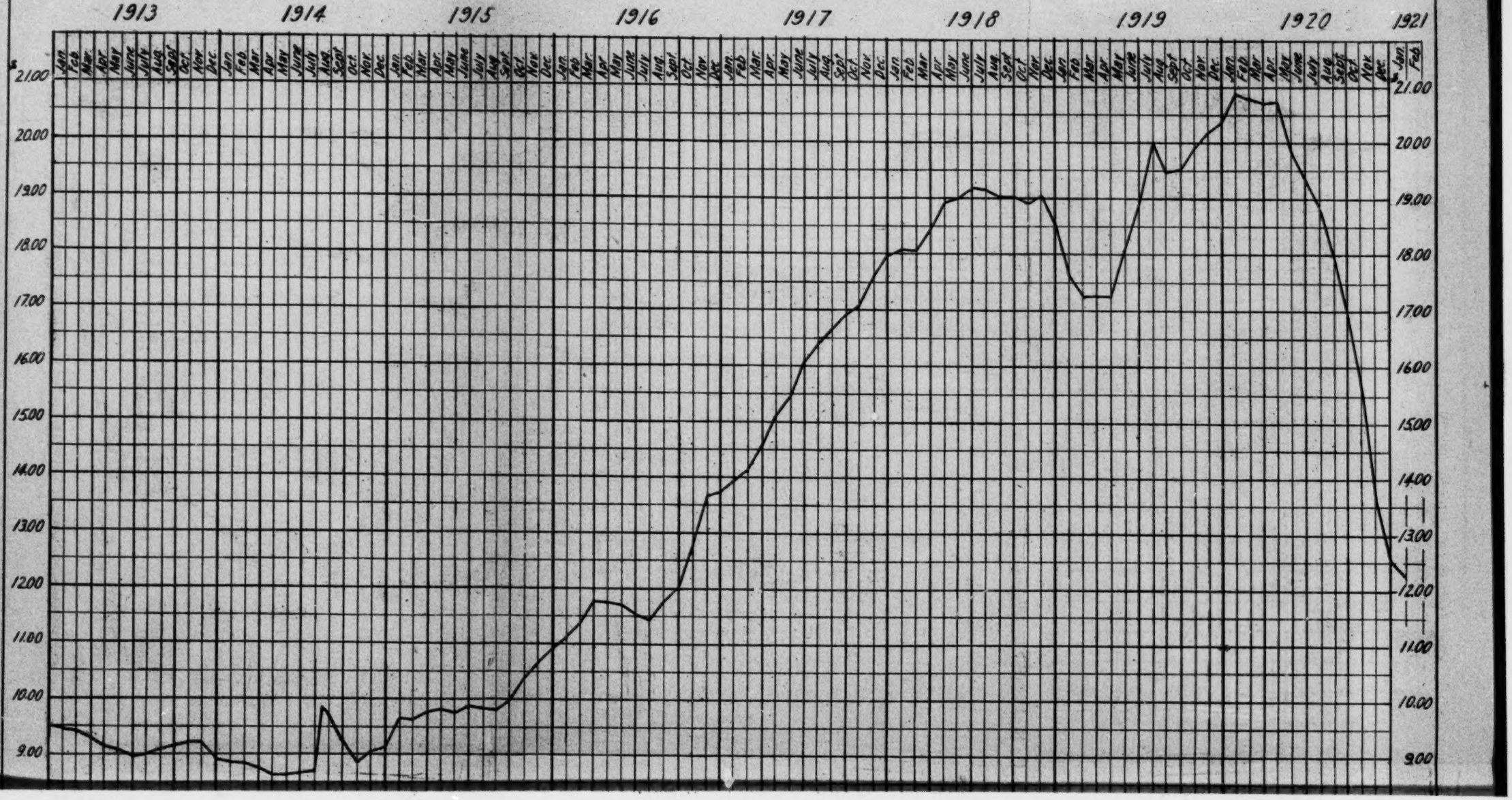
(3) Later revision, study for month of March, 1920:

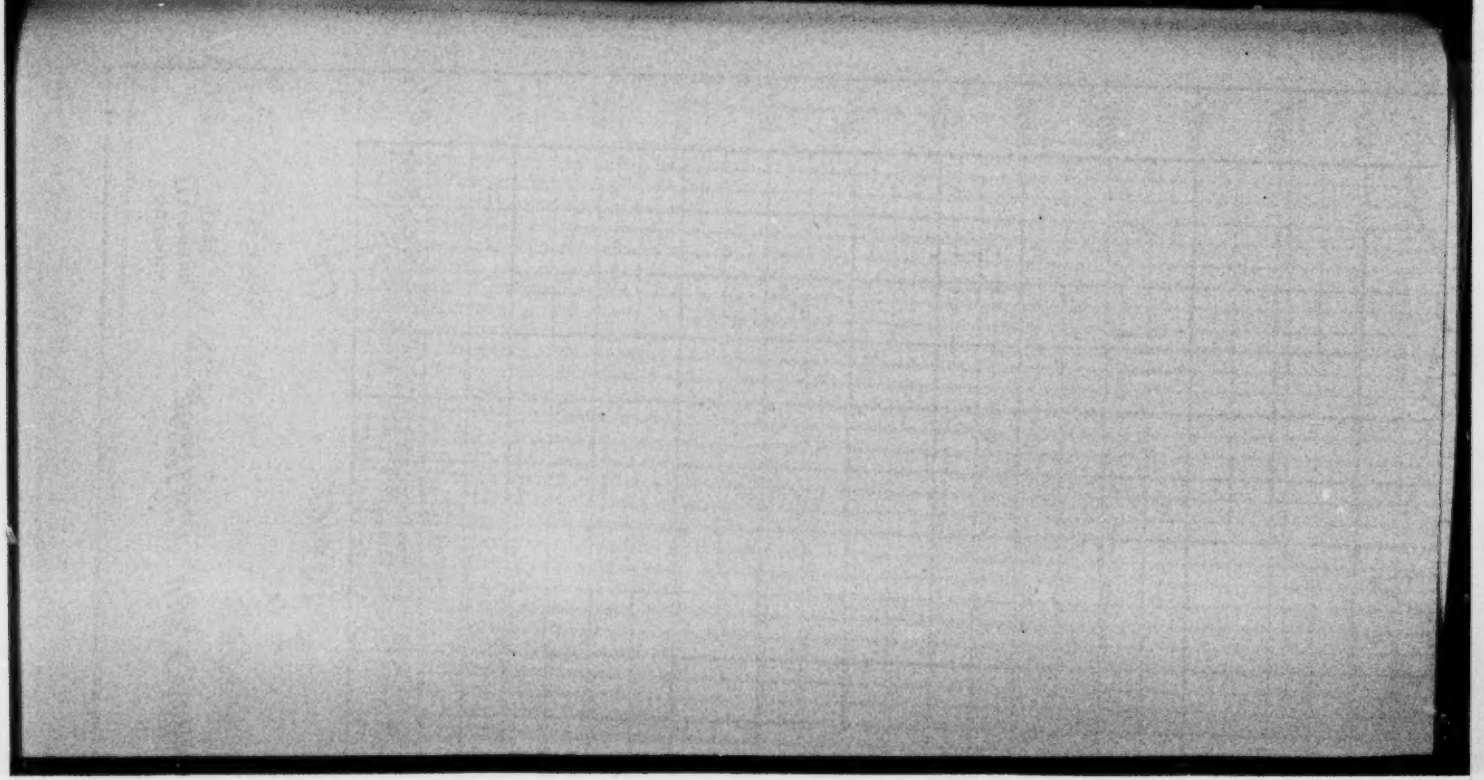
LOUISIANA TELEPHONE CASE

MONTHLY INDEX NUMBERS BASED ON FIRST OF MONTH PRICES PER POUND OF 96 ARTICLES

JAN. 1913 TO FEB. 1921. Source: BRADSTREET'S.

RED LINE INDICATES DROP IN PRICES, SINCE JULY 31. 1920 DATE OF HORSEY EXHIBIT #9





Source.	Under $1.20.	Over $1.20.	Under $1.20.	Over $1.20.
Subscribers' Stations	635	1,664	$676.35	$9,222.40
Pay Stations	133	332	130.90	1,653.50
Total	768	1,996	807.25	10,875.90

Average Total Charge per Message $4.23
Commission allowed Cumberland per message ..... .2367
Commission to Cumberland of amount billed Subscribers at New Orleans 5.6%

1235 Louisiana Telephone Case.

Monthly Index Numbers Based on First of Month Prices per Pound of 96 Articles, Jan., 1913, to Feb., 1921.

	1913.	1914.	1915.	1916.	1917.	1918.	1919.	1920.
January	$9.4935	$8.8857	$9.1431	$10.9163	$13.7277	$17.9636	$18.5573	$20.3638
February	9.4592	8.8619	9.6621	11.1415	13.9427	18.0776	17.6344	20.8690
March	9.4052	8.8320	9.6197	11.3760	14.1360	18.0732	17.2244	20.7950
April	9.2976	8.7562	9.7753	11.7598	14.5769	18.4656	17.2795	20.7124
May	9.1394	8.6224	9.7978	11.7485	15.1203	18.9133	17.2376	20.7341
June	9.0721	8.6220	9.7428	11.6887	15.4660	19.0091	18.0900	19.8752
July	8.9522	8.6566	9.8698	11.5294	16.0680	19.1849	18.8964	19.3528
August	9.0115	8.7087	9.8213	11.4414	16.3985	19.1162	20.0017	18.8273
	8/15	9.8495						
September	9.1006	9.7572	9.8034	11.7803	16.6441	19.0485	19.4720	17.9746
October	9.1526	9.2416	9.9774	12.0399	16.9135	19.0167	19.5215	16.9094
November	9.2252	8.8620	10.3768	12.7992	17.0701	18.9110	19.9026	15.6750
December	9.2250	9.0354	10.6473	13.6628	17.5966	19.0576	20.1756	13.6263
							Jan. 1, 1921	12.6631
(Source—Bradstreets.)							Feb. 1, 1921	12.3689

Per cent of drop in prices since Aug. 1, 1920 ..... 36.1%
" " " " " " " Jan. 1, 1920 ..... 38.7%

(Here follows page 1236)

Average Prices of Lake Copper per Pound at New York, January, 1911, to February, 1921.

Month.	1911.	1912.	1913.	1914.	1915.
January	.1281	.1450	.1698	.1485	.1402
February	.1275	.1441	.1555	.1500	.1521
March	.1258	.1488	.1505	.1479	.1575
April	.1241	.1600	.1567	.1475	.1890
May	.1233	.1630	.1591	.1440	.2100
June	.1271	.1753	.1542	.1412	.2238
July	.1278	.1754	.1478	.1370	.2198
August	.1275	.1773	.1586	.1286	.1933
September	.1265	.1777	.1677	.1266	.1797
October	.1253	.1680	.1685	.1173	.1789
November	.1280	.1770	.1616	.1200	.1892
December	.1384	.1769	.1488	.1335	.2024
Average	.1275	.1665	.1582	.1368	.1864

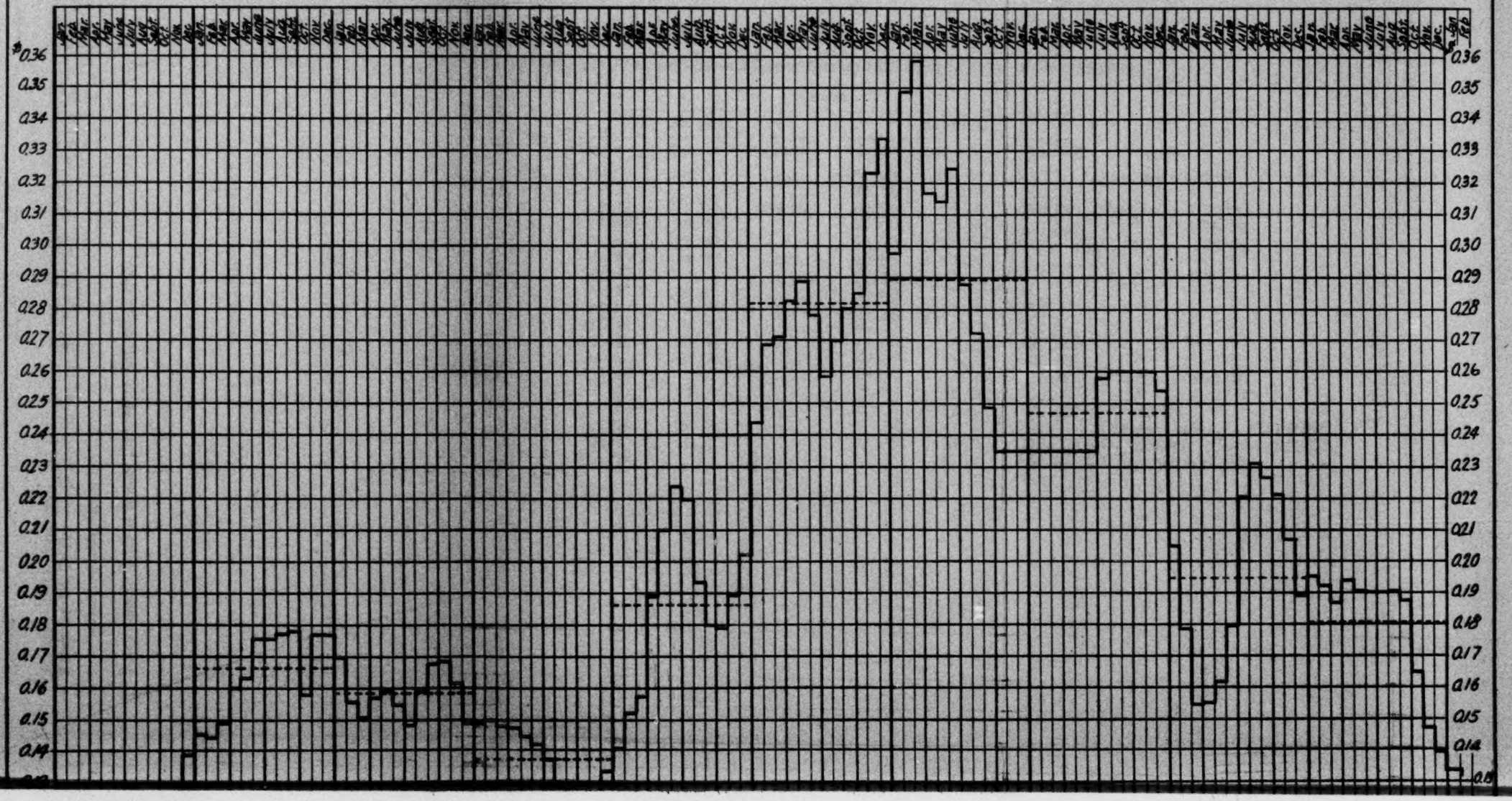
Month.	1916.	1917.	1918.	1919.	1920.
January	24.39¢	29.73¢	23.50¢	20.48¢	19.52¢
February	26.85	34.90	23.50	17.86	19.25½
March	27.10	35.85	23.50	15.46½	18.67
April	28.27	31.67	23.50	15.55	19.36
May	28.68	31.42	23.50	16.18	19.05
June	27.82	32.46	23.50	17.95	19.00
July	25.84	28.78	25.80	22.07	19.00

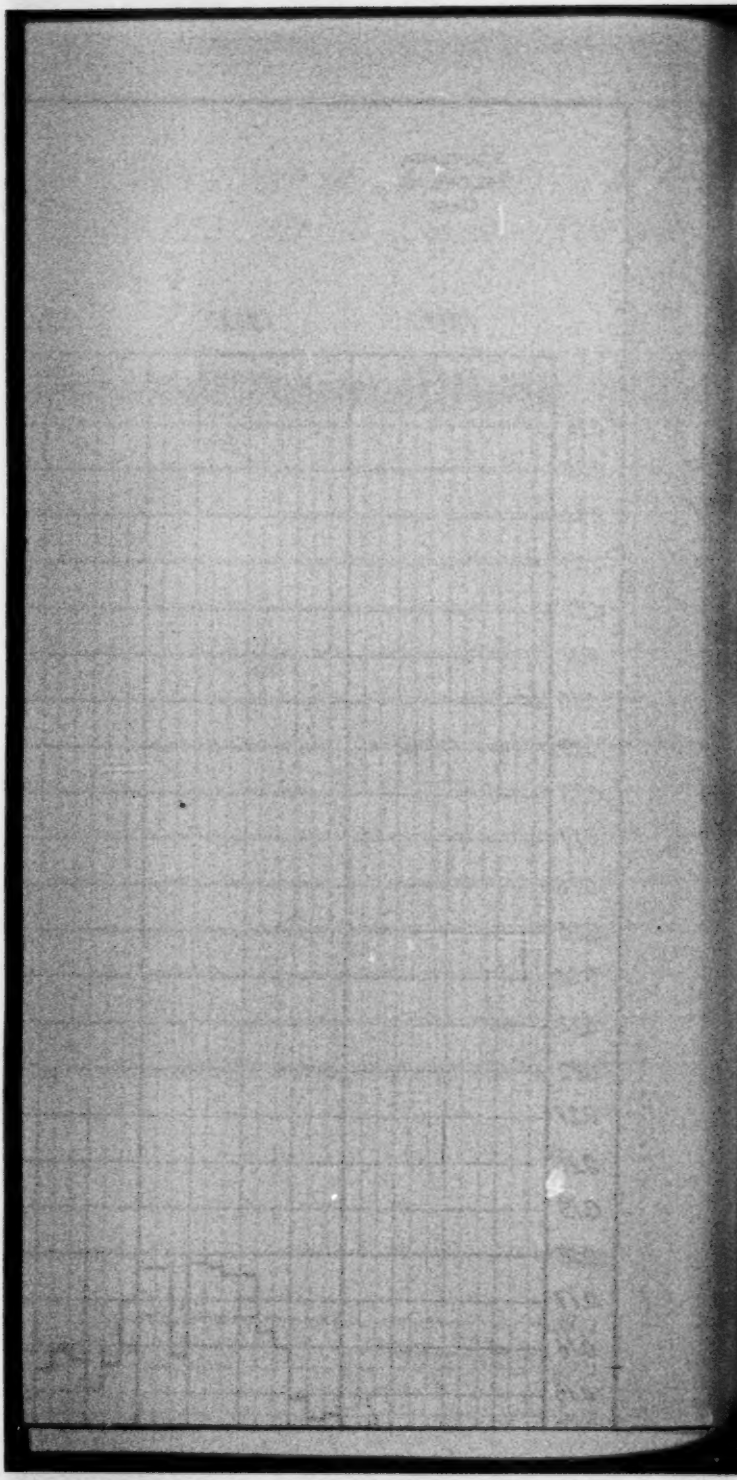
LOUISIANA TELEPHONE CASE

AVERAGE PRICES PER POUND OF LAKE COPPER AT NEW YORK

JAN. 1911 TO FEB 1921 Source IRON AGE

RED LINE INDICATES DROP IN RATES. SINCE JULY 31 1920. DATE OF HOXSEY EXHIBIT #9.





August	26.95	27.24	26.00	23.16	19.00
September	28.08	24.90	26.00	22.68	18.70
October	28.48	23.50	26.00	22.13	16.56
November	32.32	23.50	26.00	20.69	14.67
December	33.38	23.50	25.40	18.90	13.88
Average	28.19	28.96	24.68	19.43	18.05

January, 1921, Average..... 13.33
February 1st, 1921..... 13.25

(Source—Iron Age.)

Percentage in drop of copper price since August 1, 1920..... 30.3%

(Here follows page 1238.)

New York Telephone Company Property in Greater New York.

List of Items of Telephone Materials for Which Prices as of January 5, 1921 Are Below Those of the Average Prices for September 1920, as Quoted in Exhibit #38.

Kind of material	Prices Jan. 5, 1921.*	Prices Sept., 1920.**	Decrease Sept., 1920, to January 5, 1921. Amount.	%
Anchor, Guy, Everstick #3	$1,036	$1,310	$0.274	20.9
Bolt, Rock, Guy	.485	.860	0.375	43.6
Brick, Building, Hard Burned	***.031	.034	0.003	8.8
Cable, Exch. Lead Covered, 50 pr. 19 ga.	.258	.310	0.052	16.4
" " " " 100 " " "	.489	.590	0.101	17.1
" " " " 200 " " "	.831	.920	0.089	9.6
" " " " 300 " " "	1.153	1.240	0.087	7.0
" " " " 50 " 22 ga.	.151	.190	0.039	20.5
" " " " 100 " " "	.260	.330	0.07	21.2
" " " " 200 " " "	.494	.610	0.116	19.0
" " " " 400 " " "	.787	.930	0.143	15.3
" " " " 600 " " "	1.113	1.260	0.147	11.6
" " " " 900 " " "	1.588	1.790	0.202	11.2
" Terminal, Iron, #14 C 5 foot top	7.750	7.760	0.010	.12
Conduit, Clay Split	.153	.160	0.007	4.3
" Creosoted, Wood	.197	.240	0.043	17.9
Crossarms, 10-pin	1.666	2.190	0.504	23.0
Desk Stand, Corded, 20-AL	4,110	4.140	0.030	7.2
Gravel	***3.530	5.550	2.020	36.3
Head, Manhole, Complete, 27"	56.090	60.600	4.510	7.4

Protector Mounting, 61-Y	4.900	5.170	0.270	5.24
Repeating Coil, 25-B	8.200	6.390	0.190	2.26
Rod, Guy, 8', All diameters	.973	1.140	0.167	14.6
" " 10', " "	2.874	3,160	0.286	9.05
Sand, Building	***3,030	3.880	0.850	21.9
Sleeving, Lead	.100	.130	0.030	23.0
Solder, Bar, All kinds	.254	.400	0.145	36.5
Stone, Crushed	4.350	5.280	0.930	17.6
Subscriber Set, Common Battery, Hotel	5.500	5.530	0.030	.54
" " " " Desk	4.200	4.310	0.110	2.5
" " Mtd. Generator	4.750	4.770	0.020	.41
" " Auxiliary Bell	4.150	4.800	0.650	13.5
Wire, Bare, Copper Line, #14 N. B. S.	.232	.260	0.028	10.7
" " " " #17 B. & S. Twisted	.017	.018	0.001	5.5
" Electric Light #6 B. & S. Sgl. Solid	.045	.053	0.008	15.0
" Bare, Iron, Line #12 B. W. G.	.067	.071	0.004	5.6
" Inside, O. G., #19, B. & S. Twisted	.013	.015	0.002	13.3

*Quotation (except items***) from W. E. Co.
**Average prices paid by company during September 1920
***1920 price is average price during Nov. 1920 from plant accountant's records.

Taken from Company's Exhibit 91, in New York City Telephone Case.

Supplemental Quotations January 7, 1921.

Quotations on items indicated by *** on above statement have been obtained as follows:

Item.	Sept. prices from above statement.	Quotation for N. Y. C. delivery as of 1/7/21.	
Brick	$.031	$.023	each
Sand	3.030	2.500	per yard
Crushed stone	4.350	3.500	" "
Gravel	3.530	3.500	" "
Cement	.010#	.009	" lb.

#Not on above statement since quotations previously available showed no decrease from September level.

(Here follow tables marked pages 1240, 1241, and 1242.)

Comparison of Rates Asked for New Orleans and Shreveport, La., with Rates Effective During 1920 *in Other Cities of Over* 100,000.

City.	State.	Company.	Population 1920.	Rates. Business. 1 party.	Business. 2 party.	Business. 4 party.	Residence. 1 party.	Residence. 2 party.	Residence. 4 party.	Source.
New Orleans	La.	Cumberland Telephone & Telegraph Company	387,219	$120.00	.....	.....	$60.00	$48.00	.....	Proposed schedule.
Shreveport	"	" " " " "	43,674	75.00	.....	.....	36.00	30.00	.....	" "
Cleveland	Ohio	Ohio State Telephone Co.	796,336	96.00	$72.00	$60.00	60.00	48.00	$30.00	Telephony 3/20/20.
Indianapolis	Ind.	Central Union Telephone Co.	314,194	84.00	72.00	.....	39.00	27.00	.....	" 5/15/20.
Dayton	Ohio	" " " "	152,559	90.00	78.00	.....	42.00	33.00	.....	" 7/24/20.
Akron	"	" " " "	208,435	93.00	81.00	.....	45.00	36.00	.....	" " " "
Youngstown	"	" " " "	132,358	93.00	.....	.....	42.00	33.00	.....	" " " "
Toledo	"	" " " "	243,109	84.00	66.00	.....	45.00	33.00	.....	" " " "
Columbus	"	" " " "	257,031	93.00	72.00	.....	39.00	30.00	.....	" " " "
Dayton	"	Ohio State Telephone Co.	152,559	66.00	.....	.....	33.00	.....	.....	" " " "
Youngstown	"	" " " " "	132,358	82.00	60.00	.....	42.00	33.00	27.00	" " " "
Toledo	"	" " " " "	243,109	81.00	63.00	.....	45.00	33.00	30.00	" " " "
Kansas City	Mo.	Kansas City Telephone Co.	324,410	96.00	.....	.....	42.00	36.00	30.00	" 10/9/20.
Richmond	Va.	Chesapeake & Potomac Tel. Co.	171,667	96.00	72.00	.....	42.00	56.00	.....	" 10/23/20.
Kansas City	Kans.	Kansas City Telephone Co.	101,177	96.00	.....	.....	42.00	36.00	30.00	" " " "
Syracuse	N. Y.	New York Telephone Co.	171,717	114.00	90.00	.....	51.00	42.00	.....	Company schedule eff. 9/1/20.
Buffalo	N. Y.	" " " "	506,775	Meas.	.....	.....	60.00	48.00	.....	Co. schedule effective 9/1/20.
St. Louis	Mo.	Southwestern Bell Telephone Co.	772,897	132.00	.....	.....	54.00	45.00	36.00	Telephony 9/11/20.

Cumberland Telephone & Telegraph Company.

Rates in Cities of Population from 5,000 to 25,000.

Comparison of Proposed Rates for Cities in Louisiana With Present Rates in Cities in Other States.

Louisiana.		Population, 1920 census.	Business stations. 1 party.	Business stations. 2 party.	Residence stations. 1 party.	Residence stations. 2 party.	Reference.	
Houma	La.	5,160	$4.05	$3.45	$2.50	$2.20	Latest Schedule Filed.	
Morgan	"	5,429	4.05	3.45	2.50	2.20	" "	"
Minden	"	6,105	4.05	3.45	2.50	2.20	" "	"
Crowley	"	6,108	4.35	3.75	2.50	2.20	" "	"
New Iberia	"	6,278	4.35	3.75	2.50	2.20	" "	"
La Fayette	"	7,855	4.35	3.75	2.50	2.20	" "	"
Bogalusa	"	8,245	4.35	3.75	2.50	2.20	" "	"
Monroe	"	12,675	5.60	5.00	2.80	2.20	" "	"
Lake Charles	"	13,088	5.60	5.00	2.80	2.20	" "	"
Alexandria	"	17,510	5.60	5.00	3.00	2.50	" "	"
Baton Rouge	"	21,782	5.60	5.00	3.00	2.50	" "	"
Other States		**1910 census.**						
New Ulm	Minn.	5,648	2.75	2.25	1.50	1.25	Telephony	7/24/20
Portage	Wis.	5,440	3.50	3.00	2.00	1.75	"	7/24/20
Fredonia	N. Y.	5,328	5.50	4.50	3.25	2.75	"	11/27/20
Nacomb	Ill.	5,774	2.50	2.00	1.75	1.50	"	2/21/20
Litchfield	Ill.	5,971	3.00	2.50	2.25	1.75	"	3/20/20
Hartford City	Ind.	6,187	3.50	....	2.25	....	"	7/24/20
Kearney	Neb.	6,202	2.25	....	1.75	1.50	"	8/ 7/20
Kirksville	Mo.	6,347	3.50	....	2.00	....	"	11/27/20
Beaver Dam	Wis.	6,758	4.00	3.50	2.25	2.00	"	12/11/20
Paris	Ill.	7,664	3.50	3.00	2.25	2.00	"	8/ 7/20
Collinsville	Ind.	7,478	2.50	2.00	1.75	1.25	"	5/15/20
St. Charles	Mo.	9,500	3.00	2.50	1.75	1.50	"	7/24/20
Salem	Ohio	9,937	3.25	2.75	2.25	2.00	"	7/24/20
Mt. Vernon	Ill.	9,194	1.75	1.35	....	....	"	7/17/20
Chippewa Falls	Wis.	9,476	3.00	2.50	1.75	1.50	"	5/15/20
Mt. Vernon	Ohio	10,877	2.50	2.25	1.65	1.50	"	10/ 9/20
Mankato	Minn.	10,365	3.50	3.00	2.25	2.00	"	11/27/20
Jeffersonville	Ind.	10,412	4.25	3.75	2.25	1.75	"	5/15/20
Shelbyville	Ind.	11,201	3.00	2.50	1.75	1.35	"	5/15/20
Mattoon	Ill.	12,764	3.50	3.00	2.25	1.75	"	10/ 9/20
Peru	Ind.	12,491	4.00	3.50	2.25	1.75	"	5/15/20
Laporte	Ind.	13,572	2.50	....	2.00	1.75	"	7/24/20
Kewance	Ill.	13,607	3.75	3.25	2.25	2.00	"	3/20/20
Kankaka	Ill.	14,270	5.25	4.50	2.75	2.25	"	10/ 9/20
Midford	Oregon	14,118	4.00	3.50	2.25	2.00	"	2/21/20
Newcastle	Ind.	14,144	3.50	3.00	1.75	1.35	"	5/15/20
San Angelo	Texas	16,000	4.00	....	2.50	....	"	3/20/20
Mishauaka	Ind.	17,083	6.00	5.00	2.75	2.00	"	5/15/20
Vincennes	Ind.	18,089	4.00	2.75	1.75	1.35	"	5/15/20
Eau Claire	Wis.	18,887	3.00	2.50	1.75	1.50	"	5/15/20
Marion	Ind.	19,923	4.50	....	2.50	....	"	7/24/20
Freeport	Ill.	19,018	3.75	3.25	2.50	....	"	7/17/20
Belleville	Ill.	21,154	4.00	3.25	2.25	2.00	"	5/15/20
Alton	Ill.	23,783	3.50	2.50	2.25	1.75	"	5/15/20
Anderson	Ill.	24,230	4.00	3.50	2.00	1.75	"	5/15/20
Munice	Ind.	25,653	4.25	3.75	2.50	1.75	"	5/15/20

Mississippi.		Census. 1910.	Census. 1920.	Proposed rates.					
Brookhaven	Miss.	5,293		3.50	3.00	2.00	1.75	Hoxsey—Ex. 14.	
Corinth	"	5,020		2.75	2.00	1.65	1.40	"	"
Greenwood	"	5,836	7,793	4.00	3.50	2.25	1.75	"	"
Gulfport	"	6,386	8,157	4.00	3.50	2.25	1.75	"	"
McComb	"	6,237	7,775	3.50	3.00	2.00	1.75	"	"
Yazoo City	"	6,796	5,244	3.50	3.00	2.00	1.75	"	"
Biloxi City	"		10,937	4.00	3.50	2.25	1.75	"	"
Columbus City	"		10,501	4.00	3.50	2.25	1.75	"	"
Greenville City	"		11,560	4.00	3.50	2.25	1.75	"	"
Nachiz City	"		12,608	4.00	3.50	2.25	1.75	"	"
Hattisburg City	"		13,270	4.00	3.50	2.25	1.75	"	"
Laurel City	"		13,037	4.00	3.50	2.25	1.75	"	"
Vicksburg City	"		17,931	4.50	4.00	2.50	2.00	"	"
Jackson City	"		22,817	4.50	4.00	2.50	2.00	"	"
Meridian City	"		23,399	4.50	4.00	2.50	2.00	"	"

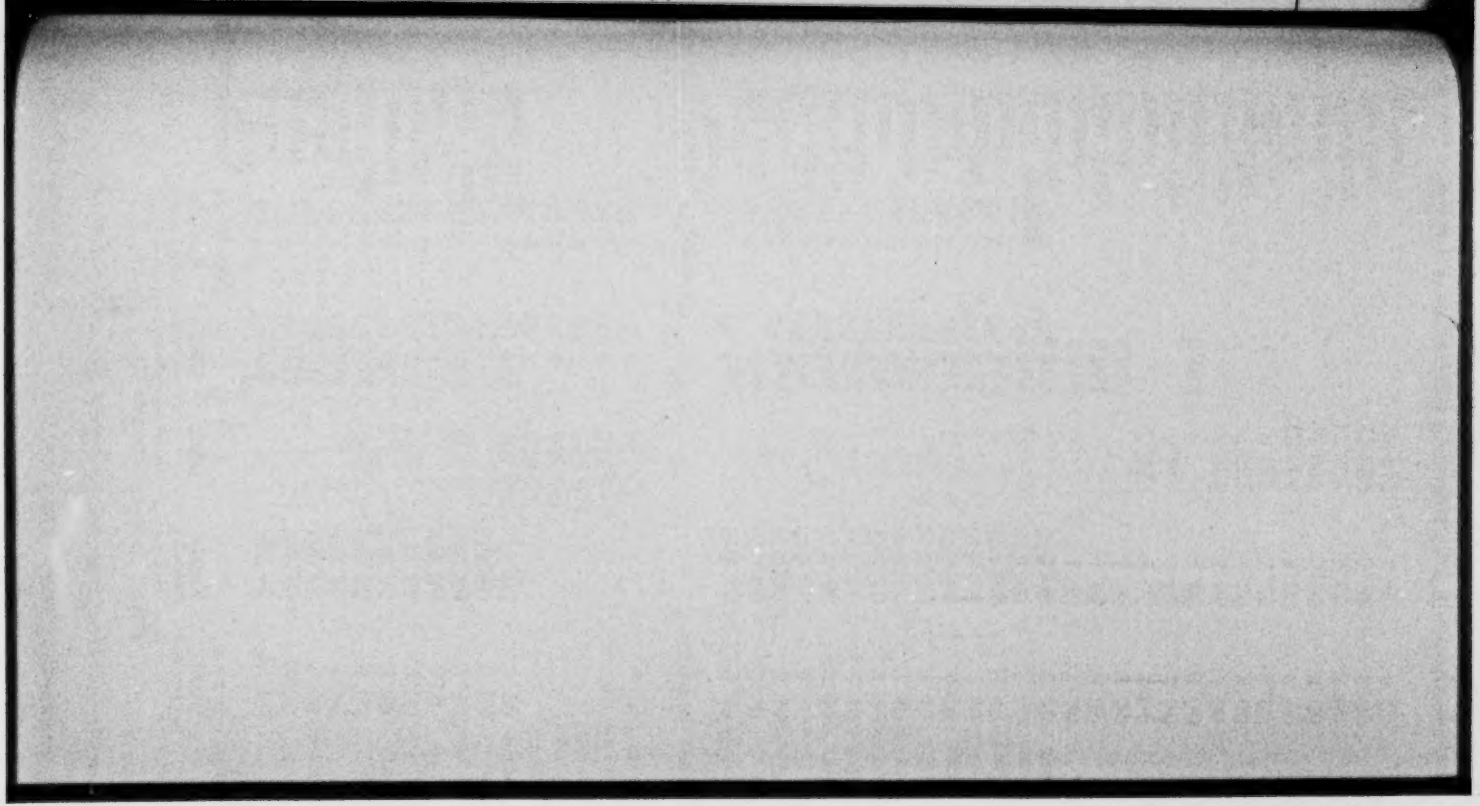
Cumberland Telephone & Telegraph Company.

Proposed Rates for Louisiana and Mississippi Compared with Present Rates in Tennessee & Kentucky.

	Population.		Rates.	
	1910.	1920.	Business 1 party.	Residence 1 party.
(1) Louisiana: (Proposed Rates)				
Houma	5,160	.....	$4.05	$2.50
Morgan	5,429	.....	4.05	2.50
Minden	6,105	.....	4.05	2.50
Crowley	6,108	.....	4.35	2.50
New Iberia	6,278	.....	4.35	2.50
Lafayette	7,855	.....	4.35	2.50
Bogalusa	8,245	.....	4.35	2.50
Monroe	12,675	.....	5.60	2.80
Lake Charles	13,088	.....	5.60	2.80
Alexandria	17,510	.....	5.60	3.00
Baton Rouge	21,782	.....	5.60	3.00
(2) Mississippi: (Proposed Rates)				
Brandon	720	.....	3.60	2.40
Tylertown	795	.....	3.60	2.40
Rolling Fork	1,000	.....	3.60	2.40
Cleveland	1,001	.....	3.60	2.40
Indianola	1,098	.....	3.60	2.40
Roxedale	1,103	.....	3.60	2.40
Forest	1,136	.....	3.60	2.40
Shubuta	1,168	.....	3.60	2.40
Summit	1,471	.....	3.60	2.40
Leland	1,547	.....	3.60	2.40
Magnolia	1,823	.....	3.60	2.40
Durant	1,881	.....	3.60	2.40
Holly Springs	2,192	.....	4.05	2.50
Kosciusko	2,385	.....	3.60	2.40
Grenada	2,814	.....	4.05	2.50
Moss Point	3,054	.....	4.05	2.50
Corinth	5,020	.....	4.05	2.50
Tupelo	.....	5,055	4.05	2.50
Yazoo City	.....	5,244	4.35	2.50
Brookhaven	5,293	.....	4.35	2.50
Pascagoula	.....	6,082	4.05	2.50
Clarksdale	.....	7,552	5.35	3.00
Gulfport	.....	8,157	5.35	3.00
Natchez	.....	12,608	5.35	3.00
Laurel	.....	13,037	5.35	3.00
Vicksburg	.....	17,931	5.60	3.00
Meridian	.....	23,399	5.60	3.00
Jackson	.....	28,817	5.60	3.00

	Population.		Rates.	
	1910.	1920.	Business 1 party.	Residence 1 party.
(3) Tennessee: (Present Rates)				
Bells	753	.....	$3.00	$2.00
Decherd	1,022	.....	3.00	2.00
Henderson	1,087	.....	3.00	2.00
Dyer	1,166	.....	2.00	1.50
Milan	1,605	2,200	3.00	2.00
Etowah	1,685	.....	3.00	2.00
Greenville	1,920	4,000	1.50	1.00
Gallatin	2,399	.....	4.00	2.25
Covington	2,990	3,400	3.25	2.00
Union	4,389	.....	4.00	1.75
Columbia	.....	5,526	4.00	2.75
Kingsport	.....	5,692	3.50	2.00
Dyersburg	.....	6,444	4.00	2.25
Cleveland	.....	6,522	4.00	2.25
Clarksville	.....	8,110	4.00	2.50
Jackson	.....	18,860	4.50	2.50
(4) Kentucky: (Present Rates)				
Fordsville	649	.....	1.00	....
Cadiz	1,005	.....	....	3.00
Leitchfield	1,053	.....	2.73	1.90
Eddyville	1,442	.....	3.00	2.00
Dawson Springs	.....	1,762	3.00	2.00
Williamsburg	2,004	.....	3.00	2.00
Harrodsburg	3,147	.....	2.75	1.65
Madisonville	5,030	.....	3.50	2.00
Danville	5,099	.....	4.00	2.25
Bowling Green	9,638	.....	3.25	2.00
Konksville	9,696	.....	4.00	2.50
Henderson	12,169	.....	4.00	2.25
Ashland	14,729	.....	3.00	1.50
Padnuh	24,735	.....	4.25	2.25

(NOTES.—Rates for Mississippi, Tennessee and Kentucky taken from Moore's Exhibit No. 2, in Mississippi Telephone Case—1921.)



43 Louisiana Telephone Case.

Cumberland Telephone & Telegraph Company.

tement of Number of Employees and Rate of Weekly Compensation for the Months of June and December, 1917, 1918 & 1919.

	1917.	1918.	1919.
mber of employees in service at end of months named:			
June 1917, 1918 & 1919—			
Male	....	53	91
Female	....	2,569	4,211
Total	....	2,622	4,302
September, 1917, December 1918 & 1919—			
Male	89	62	88
Female	2,605	2,760	4,124
Total	2,694	2,822	4,212
. Employees at close of year according to Rate:			
Less than $5—			
Male	5	7	....
	*31	*28	*31
Female	180	45	....
	*168	*92	*187
$5 to $6.99—			
Male	19	16	25
Female	949	443	280
	*2	....	....
$7 to $8.99—			
Male	6	3	9
Female	640	629	630
$9 to $11.99—			
Male	20	14	17
Female	710	613	1,455
$12 to $14.99—			
Male	6	2	3
Female	99	649	943
$15 to $17.99—			
Male	1	1	3
Female	26	215	438

esignates part time employees.

	1917.	1918.	191
$18 to $23.99—			
Male	....	1	....
Female	10	70	13
$24 to $35.99—			
Male	1	....	....
Female	1	4	2
$36 to $59.99—			
Male	....	....	....
Female	....	....	1
$60 and over—			
Male	....	....	....

62—650

Cumberland Telephone & Telegraph Company.

Monthly Report No. 23.—Total Pay Roll Changes, July, 1920, to December, 1920.

Company as a Whole.

	Jul./1920.	Aug./1920.	Sept./1920.	Oct./1920.	Nov./1920.	Dec./1920.
(*a*) Additions During Month.....	799	939	1,076	759	693	357
(*b*) Resigned	629	731	788	550	448	418
(*c*) Laid Off	5	9	7	17	45	22
(*d*) Dismissed	103	97	107	96	74	70
(*e*) Other Deductions	60	77	83	57	92	62
(*f*) Total Deductions	797	914	987	720	659	572
(*g*) Net Change During Month....	2	25	89	39	34	215*
(*h*) Total at End of Month..	8,266	8,291	8,380	8,419	8,453	8,238
(*i*) Number Advanced in Wages...	1,988	1,905	1,337	1,152	1,020	946
Total of Salary & Wage Rates: (Basic Rates of Pay Computed on Calendar Month Basis.)						

Monthly Report No. 23.—Continued.

	Jul./1920.	Aug./1920.	Sept./1920.	Oct./1920.	Nov./1920.	Dec./1920.
(*j*) Amount Added During Month by Additions to Force.....	$40,916	$49,125	$58,576	$41,921	$39,107	$21,221
(*k*) Advance in Wages.....	12,193	12,339	8,511	7,072	5,301	5,448
(*l*) Total Amount Additions.....	53,109	61,462	67,087	48,993	44,408	26,669
(*m*) Total Amount Deductions During Month	42,887	50,291	56,580	41,877	40,909	32,482
(*n*) Amount Net Change During Month	10,222	11,171	10,507	7,116	3,499	5,813*
(*o*) Total amount at end of Month..	579,608	590,779	601,286	608,402	611,901	606,088
Cumulative Increase.....	.....	11,171	21,678	28,794	32,293	26,480
(*p*) Total Salary and Wage Payments (Actual payments applicable to month).....	694,299	680,239	693,184	697,674	685,789	698,558
Cumulative Increase	.....	13,990	1,045	3,445	8,440	4,329

(* Red.)

Cumberland Telephone & Telegraph Company.

Monthly Report No. 23.—Traffic Pay Roll Changes, July, 1920, to

Company as a Whole.

	Jul./1920.	Aug./1920.	Sept./1920.	Oct./1920.	Nov./1920.	Dec./1920.
(a) Additions During Month.....	596	727	792	520	490	220
(b) Resigned	495	566	606	419	330	354
(c) Laid Off.....	5	8	3	5	13	1
(d) Dismissed	92	88	78	75	57	57
(e) Laid Off.....	35	41	40	20	32	15
(f) Total Deductions.....	628	703	727	519	432	427
(g) Net Change During Month.....	32*	24	65	1	58	207*
(h) Total at End of Month.....	5,368	5,392	5,457	5,458	5,516	5,309
(i) Number Advanced in Wages During Month.....	1,483	1,537	901	832	778	722
Amount Added During Month By:						
(j) Additions to Force.....	$24,406	$31,391	$35,443	$22,181	$21,417	$8,669
(k) Advancement in Wages.....	6,879	8,261	3,791	3,575	2,981	2,803
(l) Total Amount Additions.	31,285	39,652	39,234	25,756	24,398	11,472

Monthly Report No. 23.—Continued.

	Jul./1920.	Aug./1920.	Sept./1920.	Oct./1920.	Nov./1920.	Dec./1920.
(*m*) Total Amount Deductions During Month.....	28,330	32,267	33,946	24,922	20,258	19,305
(*n*) Amount Net Change During Month	2,955	7,385	5,288	834	4,140	7,883*
(*o*) Total Amount at end of mo....	275,757	283,142	288,430	289,264	293,404	285,571
(*p*) Total Salary and Wage Payments Applicable to Months..	321,543	298,350	306,032	307,405	312,234	313,495

(NOTE.—Basic Rates of Pay Computed on Calendar Month Basis.)
(* Red.)

(Here follow tables marked pages 1246 and 1247.)

Cumberland Telephone & Telegraph Company.

Comparative Investment, Revenues, Expenses and Return, Alabama, Mississippi, Louisiana, and Balance of Cumberland System, Year Ended July 31st, 1920.

	*Alabama.	Mississippi.	Louisiana.	Outside Miss. and La.	Cumberland T. & T. Co. as a whole.
Average Investment	$8,862,875.00	$7,307,581.00	$11,219,033.00	$23,660,571.00	$42,187,185.00
Average Per Station	169.69	188.24	180.16	175.91	179.07
Operating Revenue	$2,930,69[illegible].00	$2,640,913.00	$4,325,413.00	$6,933,974.00	$13,900,300.00
Operating Per Station	56.11	68.03	69.46	51.55	59.00
Total Expenses	$2,615,638.00	$2,336,763.00	$3,661,612.00	$6,208,666.00	$12,207,041.00
Total Per Station	50.08	60.20	58.80	46.16	51.81
Net Revenue	$315,058.00	$304,150.00	$663,801.00	$725,308.00	$1,693,259.00
Net Per Station	6.03	7.83	10.66	5.39	7.19
Per-Cent. Per Annum of Net Revenue to Total Average Investment	3.55%	4.16%	5.92%	3.07%	4.01%
Per-Cent. Requested of Utility Commissions	6.20%	5.25%	8.23%	No applications made for higher rates.	.....
Per-Cent. Allowed by Utility Commissions	4.95%	Case Not Decided Yet	.....	.....	.....
Average Stations	52,233	38,820	62,273	134,512	235,605

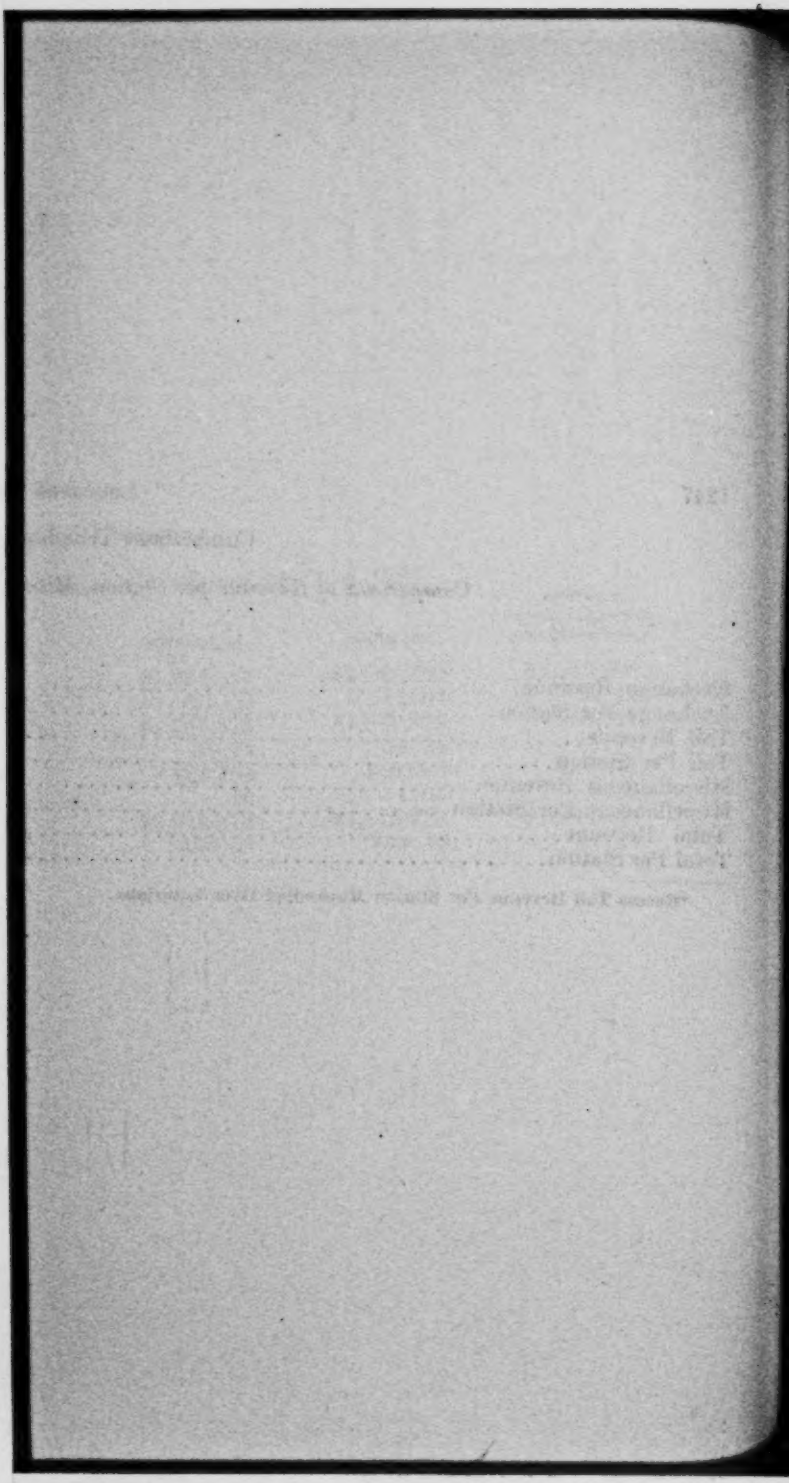
*Part of Southern Bell Telephone & Telegraph Company System.

Cumberland Telephone & Telegraph Company.

Comparison of Revenue per Station, Mississippi & Louisiana, Year Ended July 31st, 1920.

	Mississippi.	Louisiana.	Difference, excess Louisiana over Mississippi.
Exchange Revenue	$1,224,688	$2,741,386	$1,516,698
Exchange Per Station	31.55	44.02	12.47
Toll Revenue	$1,387,521	$1,517,992	$130,471
Toll Per Station	35.74	24.38	11.36*
Miscellaneous Revenue	$28,704	$66,035	$37,331
Miscellaneous Per Station	.74	1.06	0.32
Total Revenue	$2,640,913	$4,325,413	$1,684,500
Total Per Station	$68.03	$69.46	$1.43

*Excess Toll Revenue Per Station Mississippi Over Louisiana.



Cumberland Telephone & Telegraph Company.

Prices on 8% Stocks on Hoxsey Exhibit No. 18, September 25th, 1920, Prices Compared with February 11th, 1921, Prices.

	Closing price Feb. 11th, 1921.	Closing price, Sept. 25, 1920, per Hoxey Exhibit.
Famous Player Lasky Company	$63.88	$71.38
American Agricultural Chemical	54.12	84.88
American Bank Note Company	Bid.. 95.00	94.00
American Beet Sugar	46.00	79.00
American Telp. & Telg. Company	100.00	98.25
Barrett Company	.....	134.25
Chicago Pneumatic Tool	Bid.. 67.50	80.00
Cluett Peabody Company	51.00	70.00
Con. Gas. Elec L. & P. Company, Baltimore	.....	109.75
Crucible Steel	93.88	130.12
Detroit Edison	95.00	91.00
Diamond Match	.....	118.00
General Chemical Company	.....	155.00
Bayer (Julius) & Company	71.00	95.00
May Department Stores	73.00	74.00
Otis Elevator Company	25.00	129.25
Pacific Development Corporation	30.00	64.00
Pressed Steel Car Company	93.88	94.25
Pullman Company	117.50	111.50

Prices on 8% Stocks on Hoxsey Exhibit No. 18.—Continued.

	Closing price Feb. 11th, 1921.		Closing price, Sept. 25, 1920, per Hoxey Exhibit.
Kentucky Steel Spring Company	85.00		95.00
Sears Roebuck Company	86.00		132.00
Union Bag and Paper Company	73.00		85.00
United Drug .....Bid..	98.50		110.00
U. S. Industrial Alcohol	68.25		83.50
U. S. Rubber Company	69.00		81.88
Woolworth Stores	111.50		109.50
	21)1,604.13		25)2,509.13
Average per $100 Share	76.39		100.37
Average Decline, September 25th, 1920, to February 11th, 1921....		$23.98	

Louisiana Telephone Case.

Cumberland Telephone & Telegraph Company.

Division of Revenue from A. T. & T.

Long Distance Business Originated at New Orleans, La., 1918, 1919, 1920.

	1918.	1919.	1920.
Gross Total Revenue, per statement furnished Mr. Wolff at New Orleans, La.	$56,970	$113,373	$118,937
A. T. & T. Co.'s portion, as per statement furnished Mr. Wolff at Atlanta, Ga.	53,139	106,597	104,258
Balance to Cumberland T. & T. Co., their portion	3,831	6,776	14,679
Per cent Cumberland to gross toll revenue billed subscriber	6.7%	5.9%	12.3%

Increased amount and per cent for 1920 probably due to pro rate for property in New Orleans, La., taken over from A. T. & T. by Cumberland Company.

Do not know what amount and per cent is for commission alone.

1250 HOXSEY EXHIBIT A.

Filed June 23, 1922.

Statement of Investment, Revenues, & Expenses, Louisiana, Four Months, August, September, October, & November, 1920.

Investment:	
Average Exchange	$7,505,990.99
Average Toll	3,102,047.85
Average Real Estate—Land	191,845.46
Average Real Estate—Buildings	670,745.24
Average Furniture and Fixtures	57,148.50
Average Tools, Teams, Vehicles, etc.	120,114.27
Average Working Capital	540,055.26
Total Average Investment	$12,187,947.57
Revenues:	
Exchange	$970,979.40
Toll	518,325.08
Miscellaneous	24,588.16
Total Revenues	$1,513,892.64
Expenses:	
General and Miscellaneous	$45,110.31
Commercial	206,818.72
Traffic	441,304.06
Repairs	249,904.80
Station Removals and Changes	21,230.29
Depreciation	233,620.96
Rights, Privileges and use of Property	79,371.18
Insurance	3,846.98
Taxes	109,634.44
Total Expenses	$1,390,841.74
Net Revenue	123,050.90
Percentage per Annum of Net Revenue to Investment	3.03

1251 HOXSEY EXHIBIT 6 (a).

Filed June 23, 1922.

Being Hoxsey Exhibit 6 Revised, Substituting Actual Experience for Last Five Months 1920 for Estimate.

Cumberland Telephone & Telegraph Company, Inc.

NOTE.—Figures on this Sheet pertain to the Company as a whole.

Statement Showing the Increase of Present Cost Levels Over Average for Year Ending July 31, 1920.

Average Number Stations year ending July 31, 1920.... 235,605

	Actual expenses per station per month, year ending July 31, 1920.	Actual expense per station per month, last five months 1920.	Increase last five months over year ending July 31, 1920.
Operating Expense	$2.263	$2.445	$0.182
Current Maintenance	.929	1.010	.081
Depreciation	.837	.848	.011
Taxes	.287	.330	.043
Total Tel. Expense	$4.316	$4.633	$0.327

But the tax item for the last five months is only an equalizing figure and the correct figure to use for comparison is the average for the year 1920, or .312. This is .018 less than the equalizing figure and should be deducted ..... .018

Total adjusted increase per station per month over year ending July 31, 1920..... $0.309

Percentage of increased expense per station to expenses per station, year ending July 31..... 7.1594%

1252 HOXSEY EXHIBIT 7 (*a*).

Filed June 23, 1922.

Being Hoxsey Exhibit 7 Revised in Accordance With Actual Experience. See Hoxsey Exhibit 6 (*a*).

Cumberland Telephone & Telegraph Company, Inc.

State of Louisiana.

Statement Applying Increase in Cost Levels to Louisiana.

Total Expenses, Year ending July 31, 1920.....	$3,661.613
Average Number Stations year ending July 31, 1920..	62,273
Percentage Method of determining amount of Increased Revenue necessary to meet present expense level—Apply percentage of increase shown on Exhibit 6 (*a*) for Company as a whole to Louisiana Expenses:	
$3,361,613 x 7.1594%.....	$240,671
Per Station Method of determining amount of Increased Revenue necessary to meet present expense level—Apply increase per station per month as shown on Exhibit 6 (*a*) for Company as a whole, to Average Number Stations in Mississippi:	
62,273 x $0.309 x 12 = ...	230,908
	2/$471,579
Average of above methods.....	$235,789

1253 HOXSEY EXHIBIT 7 (*b*).

Filed June 23, 1922.

Cumberland Telephone & Telegraph Company, Inc.

State of Louisiana.

Statement Showing Increase of Cost Levels in Louisiana for Four Months Ending November 30, 1921, *With Cost Levels in Louisiana for Year Ending July* 31, 1920.

	Actual per station per month in Louisiana year ending July 31, 1920.	Actual per station per month in Louisiana 4 mos. ending Nov. 30, 1920.	Increase of four month period ending Nov. 30, 1920, over year ending July 31, 1920.
Operation Expense ...	$2.616	$2.892	$0.276
Current Maintenance .	.986	1.010	.024
Depreciation	.871	.870	.001*
Taxes	.427	.408	.019*
Totals	$4.900	$5.180	$0.280

Apply this increase per station to the average number of stations, year ending July 31, 1920: 62,273 x 12 x $0.280 = ... $209,235

This gives the amount of increased revenue necessary, on the basis of Louisiana figures only, to meet the increased level of expense actually incurred. As this is smaller than the figure based upon the company as a whole, use this figure.

*Red in copy.

1254 HOXSEY EXHIBIT 8 (a).

Filed June 23, 1922.

Louisiana Wage Increase Forecast.

Forces as of 12-31-20.

Wage Rates 12-31-20—Estimated for 1921.

	No per.		Monthly.	Annual
Traffic:				
Force	1,540	(Av. $58.25)	$89,698	$1,076,376
Estd. Incr.	.....	6%	5,382	64,583
			$95,080	$1,140,959
Commercial:				
Force	266	(Av. $105.54)	28,073	336,876
Estd. Incr.	.....	7%	1,965	23,581
			30,038	360,457
Plant and Divn. Eng.:				
Force	595	(Av. $108.)	$64,276	$771,312
Estd. Incr.	.....	8%	5,142	61,704
			$69,418	$833,016
Increase Chgd. to Const.	.....	.....	$1,619	$19,428
Increase Chgd. to Exp..	.....	.....	3.523	42,276
			$5,142	$61,704
Genl. Office Excl. Eng.:				
Force	29	(Av. $164.)	$4,756	$57,072
Estd. Incr.	.....	10%	476	5,712
			$5,232	$62,784
Genl. Eng.:				
Force	10	(Av. $149.25)	$1,492	$17,904
Estd. Incr.	.....	10%	149	1,788
			$1,641	$19,692

1255 HOXSEY EXHIBIT 8 (Page 2).

Louisiana Wage Increase Forecast.

Forces as of 12-31-20.

Wage Rates 12-31-20—Estimated for 1921.

	Monthly.	Annual
Increase Chgd. to Const.	$100	$1,200
Increase Chgd. to Exp.	49	588
	$149	$1,788

Summary.

	No. per.	Pres. pay (annual).	Prop. add. (annual).	% incr.	Exp.	Const.
Traffic	1,540	$1,076,376	$64,583	6	$64,583	.....
Comm'l	266	336,876	23,581	7	23,581	.....
Plant and Div. Eng.	595	771,312	61,704	8	42,276	$19,428
Genl. Office	29	57,072	5,712	10	5,712	.....
Genl. Eng.	29	17,904	1,788	10	588	1,200
	2,440	$2,259,540	$157,368	6.9	$136,740	$20,628

Jagoe Revised

Marked by Com. Kittredge 7-24-17

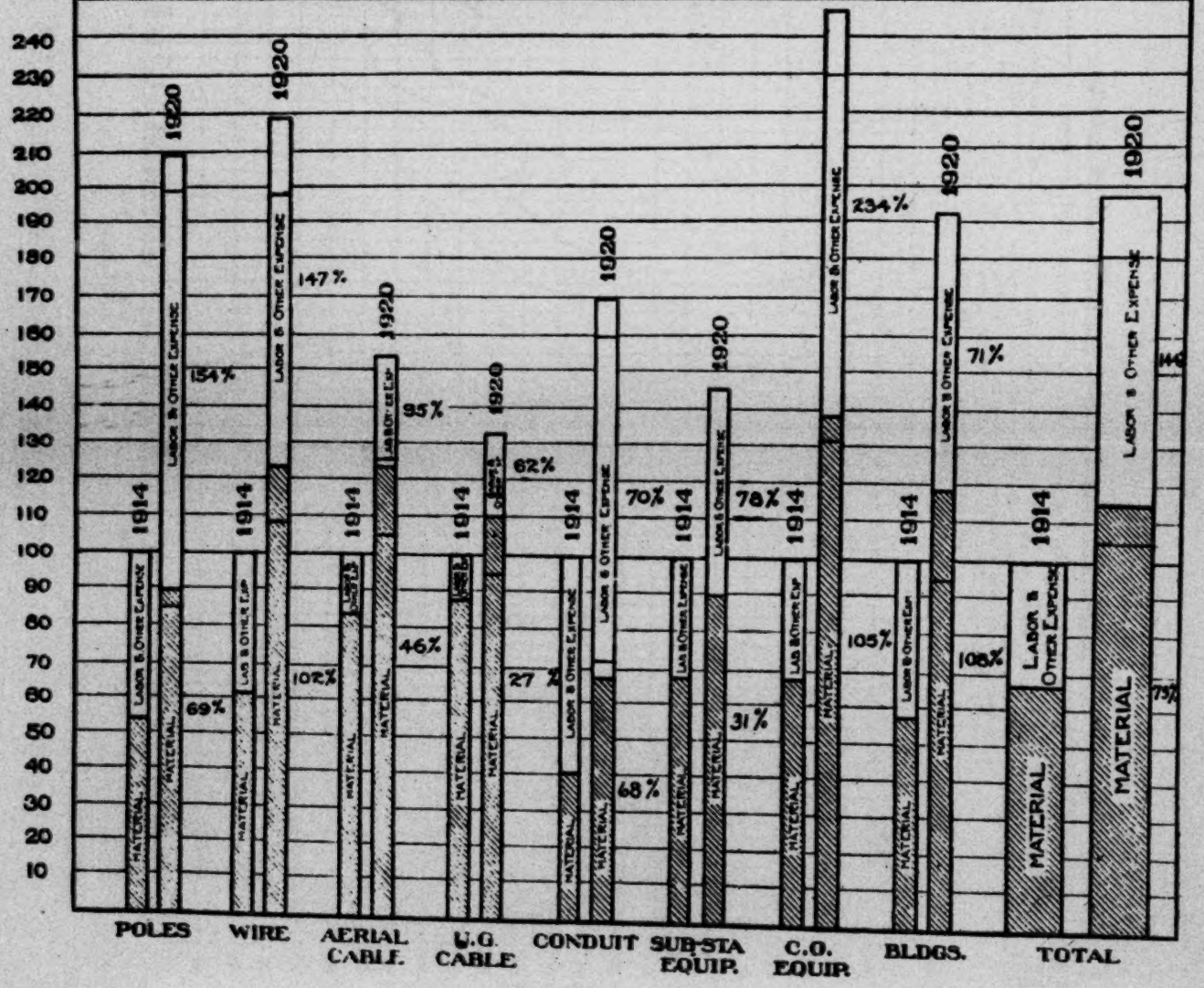
M. O. Exhibit A FILED Jan 13/22

CUMBERLAND TEL. & TEL. CO. INC.

AVERAGE COST OF STANDARD UNITS OF TELEPHONE PLANT IN PLACE

YEARS 1914 AND 1920.

DETERMINED FROM REPRESENTATIVE QUANTITIES OF WORK



1257

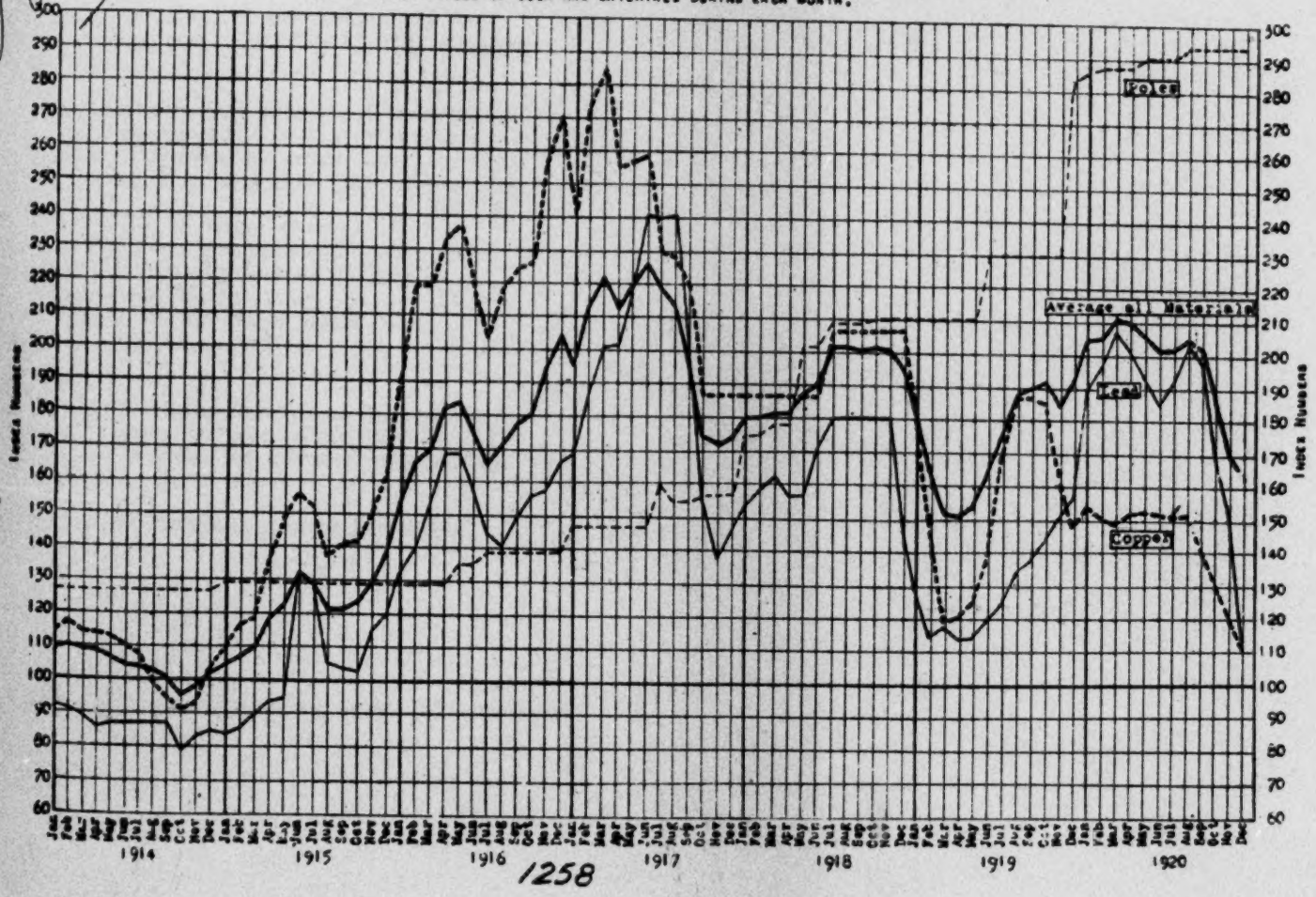
Jagger Ext 8 Revised

PRICES OF RAW MATERIALS REQUIRED IN BELL SYSTEM PLANT CONSTRUCTION.

THE AVER[illegible] PRICE FOR 1911 IS TAKEN AS THE [illegible] IN EACH CASE AND ASSUMED TO BE 100.

THE "AVERAGE ALL MATERIALS" CURVE IS A COMPOSITE OF THE PRICES OF COPPER, LEAD, POLES AND VARIOUS OTHER RAW MATERIALS, EACH PRICE BEING WEIGHTED ACCORDING TO THE RELATIVE IMPORTANCE OF THE MATERIAL. THE MATERIALS INCLUDED CONSTITUTE SOMEWHAT OVER FOUR-FIFTHS OF THE TELEPHONE PLANT. THE PRICES USED ARE, IN GENERAL, AVERAGE DAILY MARKET PRICES OF SUCH RAW MATERIALS DURING EACH MONTH.

M.O.X. B



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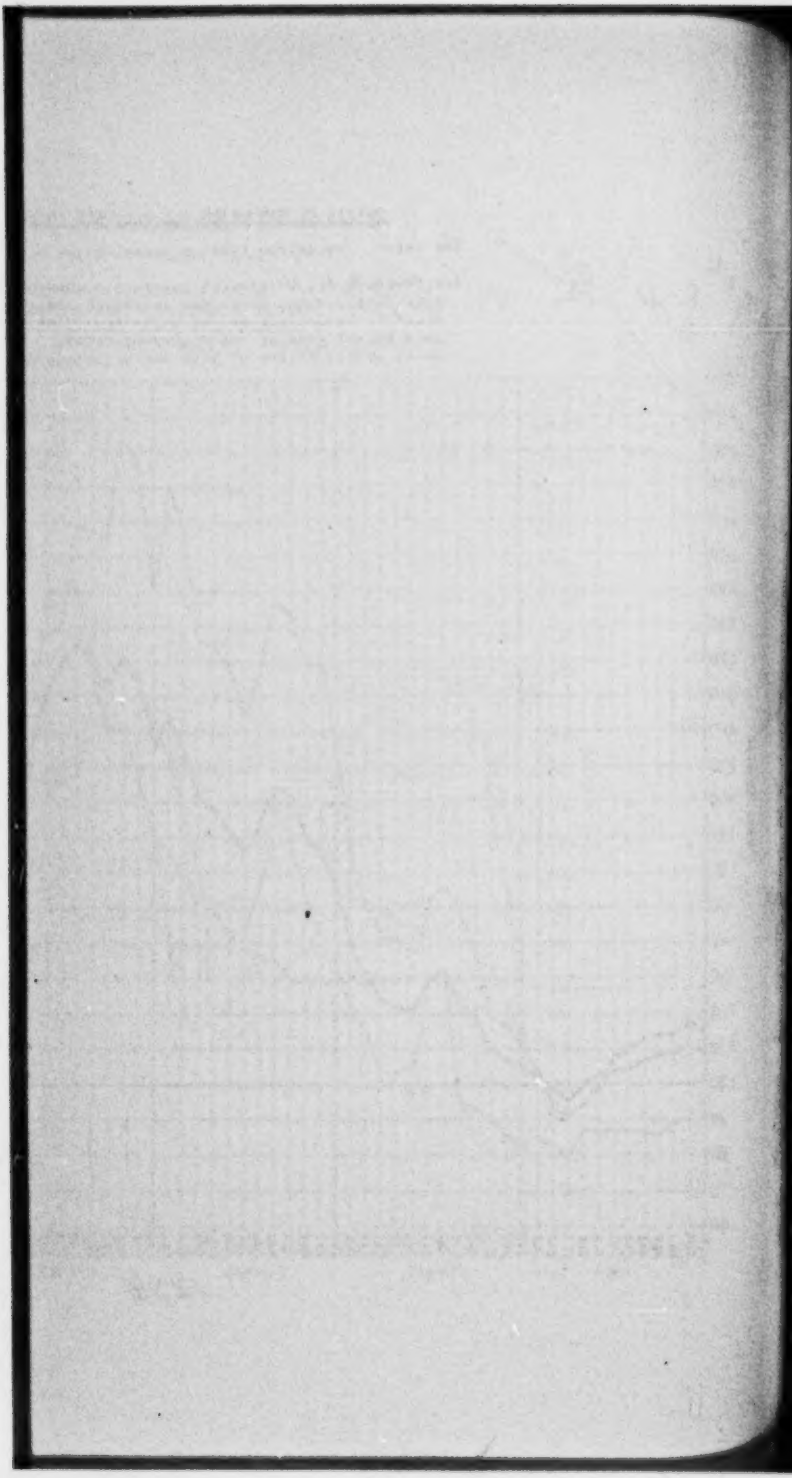

1256 HOXSEY EXHIBIT 13 (*a*).

Cumberland Telephone & Telegraph Company, Inc.

State of Louisiana.

Condensation and Revision of Exhibit 13 in the Light of Later Experience.

Total Average Investment year ending July 31, 1920.		$11,219,034
Total Proposed Increases (Hoxsey Exhibit 13).....		$598,836
Total Net Revenue, year ending July 31, 1920 (Hoxsey Exhibit 9)		663,801
Total Net after Rate Increase, if there neither had been nor would be any expense increase		$1,262,637
Less Increased Expenses to actual level for four months ending Nov. 30, 1920 (See Hoxsey Exhibit 7*b*)	$209,235	
Necessary increase of wages charged expenses in 1921, not including additional employes for increased volume of *of* business (Hoxsey Exhibit 8*a*).....	136,740	
Increase Federal Income Tax on larger Net Revenue	25,286	
		371,261
Balance, Total Net Revenue, on basis of volume of business, for year ending July 31, 1920, after allowance for increased rates and expenses as shown above.....		$891,376
Percentage of Net Return to Average Investment....		7.95%

(Here follow drawings marked pages 1257 and 1258.)

1259 NOTE.—Exhibit marked "Commission No. 1,"—order No. 2397 of the Railroad Commission of La., same as Exhibit "A" attached to the Bill of Complaint, which exhibit is copied at page 29 of this transcript.

1260 NOTE.—Exhibit marked "Commission No. 2,"—order No. 2403 of the Railroad Commission of La. same as Exhibit "B" attached to the Bill of Complaint, which exhibit is copied at page 43 of this transrript.

1261 NOTE.—Exhibit marked "Commission No. 3,"—order La. Public Service Commission No. 4, same as Exhibit "D" attached to the Bill of Complaint, which exhibit is copied at page 69 of this transcript.

1262 NOTE.—Certificate of Henry Jastremski, Secretary of the Louisiana Public Service Commission, same as the certificate of Henry Jastremski, Secretary, La. Pub. Service Commission, copied at page 406 of this transript.

1263 NOTE.—Copy of Notice by the Louisiana Public Service Commission of the hearing to be held in New Orleans on May 2, 1922, same as the Notice copied at page 407 of this transcript.

1264 NOTE.—Exhibit marked "Cumberland #1"—Petition of the Cumberland Telephone & Telegraph Company praying that Francis Williams may be recused, etc., same as the petition copied at page 408 of this Transcript.

1265 NOTE.—Exhibit marked "Cumberland #2"—objection of the Cumberland Telephone & Telegraph Company to the form of procedure, etc., same as objection copied at page 410 of this Transcript.

1266 NOTE.—Exhibit marked "Cumberland #3"—Affidavit of Charles A. Stair, sworn to May 2nd, 1922, same as affidavit of Charles A. Stair, copied at page 412 of this Transcript.

1267 NOTE.—Exhibit marked "Cumberland #4"—Affidavit of J. J. McTiernan, filed with La. Public Service Commission at hearing held May 2, 1922, same as Affidavit of J. J. McTiernan, copied at page 417 of this Transcript.

1268 NOTE.—Exhibit marked "Cumberland #5"—Affidavit of George J. Yundt, filed with Louisiana Public Service Commission at hearing held May 2, 1922, same as affidavit of George J. Yundt, copied at page 421 of this Transcript.

1269 NOTE.—Affidavit of Robert A. Reed, sworn to on the 29th day of April, 1922, same as the affidavit of Robert A. Reed copied at page 425 of this Transcript.

1270 NOTE.—Exhibit marked "Viosca #1," being an affidavit of Rene Viosca, same as affidavit of Rene Viosca, copied at page 428 of this Transcript.

1271 NOTE.—Exhibit marked "Kittredge #1," being the affidavit of Paul H. Maloney & Ivy G. Kittredge, same as the affidavit of Paul H. Maloney and Ivy G. Kittredge copied at page 430 of this Transcript.

1272 NOTE.—Opinion as to Rehearing and Order of May 13, 1922, same as Exhibit "K," made part of the Bill of Complaint, which Opinion and Order are copied at pages 93 et seq., of this transcript.